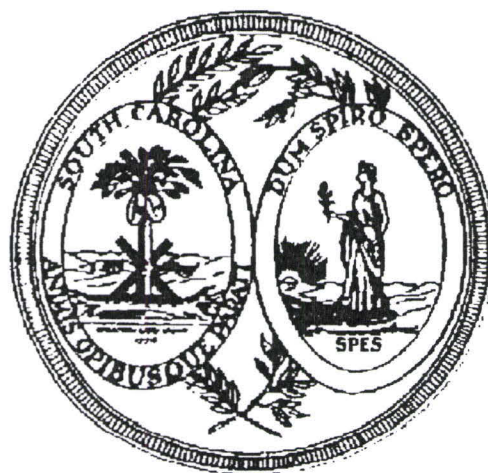


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# SOUTH CAROLINA DEPARTMENT OF INSURANCE

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STATE DOCUMENTS

## ANNUAL ACCOUNTABILITY REPORT Fiscal Year 1998-99

## **SOUTH CAROLINA DEPARTMENT OF INSURANCE 1998-99 ACCOUNTABILITY REPORT**

### **EXECUTIVE SUMMARY**

The mission of the Department of Insurance is to protect the insurance consumers of this state by regulating and ensuring the solvency of insurers conducting business in South Carolina and assuring that fair and equitable service is provided by the industry to the consumers of this State. Our mission is accomplished through the administration of several program areas which we have attempted to prioritize in this report, although all are critical components to the whole.

The 1998-99 Accountability Report was compiled through a joint effort involving management and staff. Our first step was to identify the critical components of each program area and determine the overall impact of each in the accomplishment of the agency's mission. Management and staff believed that it was imperative to go through this process before establishing goals, objectives and performance measures or determining priority.

Insurer Solvency is given the highest priority of the Department's programs. The heart of our responsibility to regulate the insurance industry is assuring insurance company solvency and compliance with related state laws and regulations. Staff in this program area is responsible for monitoring, within the South Carolina insurance laws, rules and regulations, all companies licensed or approved to conduct business in this State. They do so to assure that each company will be able to meet its financial responsibilities and obligations to policyholders and creditors. Financial examinations and financial analysis audits help reduce the number of insolvencies in the insurance industry thereby reducing the cost of insurance to the citizens of this State.

Second priority is given to Consumer Services and Public Information. The Department is charged under a statutory mandate to provide effective and efficient regulation of insurance in the public interest. In this regard the Consumer Services and Public Information program is responsible for protecting policyholders and claimants against unfair sales, advertising, underwriting, claims handling and premium service practices. The program provides information to the general public on claims, complaints and other insurance related matters and needs. This program has the highest profile with the public of all our program areas. The consumers know that we provide a source of reinforcement for protection of their rights under insurance contracts and the State statutes governing the insurance industry.

While the solvency of insurers and access to consumers are high priority programs, it is also critical that the products sold by insurers are in compliance with the laws of South Carolina. Our third priority program, Policy Forms and Rates, ensures that forms, rules and rates used by all lines of insurance in South Carolina meet the statutory requirements. This program provides public representation in the insurance process, assuring that the laws of the State are adhered to and that insurance contracts are fair and equitable to all parties. This program also guards against provisions in policy forms which may restrict the consumer's rights under the law. Not always having the knowledge of the law, the consumer may not know to raise questions regarding various policy form provisions. In addition, rate regulation results in the consumer being provided with the necessary insurance products at an equitable price.



The remaining four program areas have been assigned a fourth priority rating. While each is critical to the mission of the Department, their impact on consumers is less direct than the other programs. The Individual and Company Licensing program is responsible for administering statutes and regulations governing the initial and continued licensing of companies, agents and other regulated individuals such as brokers and bail bondsmen. Licenses are issued after careful review of applications and qualifications to determine statutory and regulatory compliance.

The Taxation program generates over \$98 million in revenue through the collection of broker and insurer premium taxes. Of this amount approximately \$6.8 million is distributed to local subdivisions with the balance retained in the general fund.

State Rating and Statistical is the program area responsible for collecting automobile statistical data from companies that write automobile insurance in the State. The collection of this data is mandated by state statute and provided to insurers, governmental agencies and others.

Administration primarily provides management and operations support for the Department. The functions of this program include human resources, fiscal operations and information resources. Administration also includes the Office of General Counsel. The general counsel represents the Department in legal actions filed by it or against it and investigates allegations that state insurance laws have been violated. Administration is also charged with the coordination of the Department's Quality Management program.

The Department continued to strengthen collaborative efforts with other government agencies across common areas. Representatives from the Department, along with those from the Department of Public Safety and the Department of Consumer Affairs, sit on the Advisory Board to the South Carolina Associated Auto Insurance Plan. The Department contracted with the South Carolina Education Television Network for the production of video public service announcements explaining the new automobile insurance laws which become effective in March 1999. The Department continued to work with the Emergency Preparedness Division, the Department of Labor, Licensing and Regulation and the Federal Emergency Management Agency on issues surrounding building code legislation and disaster and recovery plans. Interaction was maintained with the Department of Health and Environmental Control, the Department of Health and Human Services and the Governor's Office on the development of various grant applications.

The 3.9 million citizens of this state are affected by the work of the Department of Insurance. Whether it is through property, life, accident or health insurance, the Department to some extent touches the lives of every citizen in its regulation of the insurance industry. We realize that our primary mission is to protect the consumers of this state while regulating this sophisticated industry. In an effort to better meet this mission, the Department focused inward this past year as we continued to develop our strategic plan. As a part of the plan, a new mission statement was developed and a vision statement and Department values were adopted. In an effort to identify the needs of our customers, postage pre-paid surveys were forwarded to a systematic sampling of individual licensees and consumers, two of the agency's most important stakeholder groups. In both areas customer satisfaction consistently met an average 90 percent satisfaction rate.

During fiscal year 1998-99, the Department completed our strategic plan and began implementation. We will expand our customer satisfaction surveys to other stakeholder groups. Training initiatives will continue to be directed toward not only developing our employees to better serve our stakeholders

but, also geared toward the development of career paths for our employees. A cross functional team of management and non-management staff will be selected and charged with the task of studying and, if possible, designing draft internal Department career paths. Each of these efforts will be carried out with the aim of strengthening service delivery to all our stakeholders while carrying out our statutory charge to regulate the insurance industry.



## **Mission Statement**

The mission statement defines the purpose of the Department of Insurance and broadly describes the programs, functions or services it provides in order to carry out that purpose.

The mission of the State of South Carolina Department of Insurance is to protect the insurance consumers, the public interest, and the insurance marketplace by ensuring the solvency of insurers; by enforcing and implementing the insurance laws of the state; and by regulating the insurance industry in an efficient, courteous, responsive, fair and equitable manner

We accomplish this mission through professional services, which include but are not limited to:

- Prior approval of premium rates and policy forms
- Licensure of insurers, and insurance related individuals and entities
- Examinations and audits of insurance companies
- Premium tax and fee collection on behalf of the state and its subdivisions
- Consumer education, outreach and assistance

## **Vision Statement**

The vision statement defines what the Department of Insurance wishes to become over the next five to ten years.

The South Carolina Department of Insurance will be recognized internationally as the model agency providing quality service through efficient, effective and equitable regulation of the insurance industry. The Department will be an organization:

- with satisfied customers;
- that has dedicated, courteous, knowledgeable, and professional employees;
- that has effective and efficient leadership;
- that maximizes the use of available resources for the benefit of its customer base; and
- that is committed to promoting a competitive market that offers insurance consumers a choice of various insurance coverage provided by a number of insurers.



## **Values**

Values are the guiding principles and beliefs upon which the agency stands. Among the most important of these values are:

### **Integrity**

Integrity is the most fundamental of our values. It stands for honesty, objectivity, forthrightness, trustworthiness, credibility and dependability.

### **Accountability**

Accountability is personal responsibility. This means performing and completing tasks efficiently, courteously, accurately and in a timely manner. Resources entrusted to us are managed effectively. This also means that we assume responsibility for our actions and share lessons learned.

### **Concern**

We listen and are concerned about the issues that affect our stakeholders.

### **Professionalism**

Professionalism is a commitment to excellence. This means that we are dedicated to conducting all business in a dependable, courteous, efficient, consistent and equitable manner. Our employees are knowledgeable and display a strong work ethic.

### **Customer Service**

Customer service includes identifying, understanding and striving to meet the needs of our customer base in a professional manner.

### **Leadership**

Leadership does not mean control. Leadership means providing direction and creating an environment that promotes collaborative efforts. It includes identifying problems before they happen and proactively seeking and implementing innovative solutions.

### **Employees**

The Department recognizes that our employees are our most valuable asset and our most valuable resource. It is committed to investing in the continued growth and development of its workforce. Our employees are loyal and support, promote and invest in the future of the agency.

### **Communication**

The Department maintains an open dialogue with all stakeholders. It fosters an environment of trust, reasonableness and objectivity that promotes the free exchange of ideas.

### **Quality**

We strive for excellence. We do the best job possible. We are proud of the services we provide to our stakeholders.



# **PROGRAM : INSURER LICENSING AND SOLVENCY SERVICES**

## **PRIORITY # 1**

<b>Costs: \$470,744 - State</b>	
<b>\$838,133 - Other (Examination Fees)</b>	
<b>No. of Employees:</b>	
<b>Fin.Examinations</b>	<b>6</b>
<b>MC Examinations</b>	<b>4</b>
<b>Financial Analysis</b>	<b>6</b>
<b>Securities</b>	<b>1</b>
<b>Licensing</b>	<b>1</b>

## **FINANCIAL EXAMINATIONS**

<b>Examinations Completed</b>	<b>12</b>
<b>Examinations in Progress</b>	<b>7</b>

## **GOAL**

To perform a full scope financial examination as required by statute, on each domestic insurer no less than once every five years, and each domestic health maintenance organization no less than once every three years. To perform target examinations from time to time on all companies licensed in this state (both domestic and non-domestic) as conditions dictate.

## **OBJECTIVE**

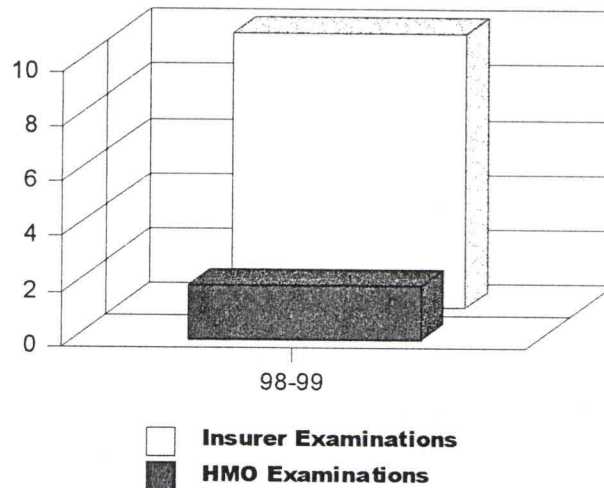
To detect as early as possible those insurers and health maintenance organizations which are in financial trouble or which are in violation of state statutes or engaging in unlawful or improper marketing activities.

## **PERFORMANCE MEASURES**

Ten financial examinations of insurers were commenced during the period from July 1, 1998 to June 30, 1999. One examination was based on a one-year schedule, four examinations were based on a two year schedule, two examinations were based on a three-year schedule, one examination based on a four-year schedule, and two examinations were based on a five-year schedule. Two examinations of health maintenance organizations were commenced during the period from July 1, 1998 to June 30, 1999. One examination was based on a one-year schedule, and one examination was based on a three-year schedule. An examination of two priority companies was completed during the period. No later than sixty days following the completion of each examination, information was developed for timely, appropriate regulatory action where necessary. Based on a review of financial and other information during the examination, one health maintenance organization was placed under administrative supervision, and eleven insurers and health maintenance organizations were deemed to be in substantial compliance with South Carolina insurance or health maintenance organizations statutes, financially sound, and able to meet their obligations to its South Carolina policyholders or enrollees.

## TREND DATA

### FINANCIAL EXAMINATION



### Market Conduct Examinations

**Examinations Completed 17**  
**Examinations in Progress 4**

## GOAL

To perform a full scope Market Conduct examinations as required by statute, on each domestic insurer no less than once every five years, and each domestic health maintenance organization no less than once every three years. To perform target examinations from time to time on all companies licensed in this state (both domestic and non-domestic) as conditions dictate.

## OBJECTIVE

To detect as early as possible those insurers and health maintenance organizations which are in financial trouble or which are in violation of state statutes or engaging in unlawful or improper marketing activities.

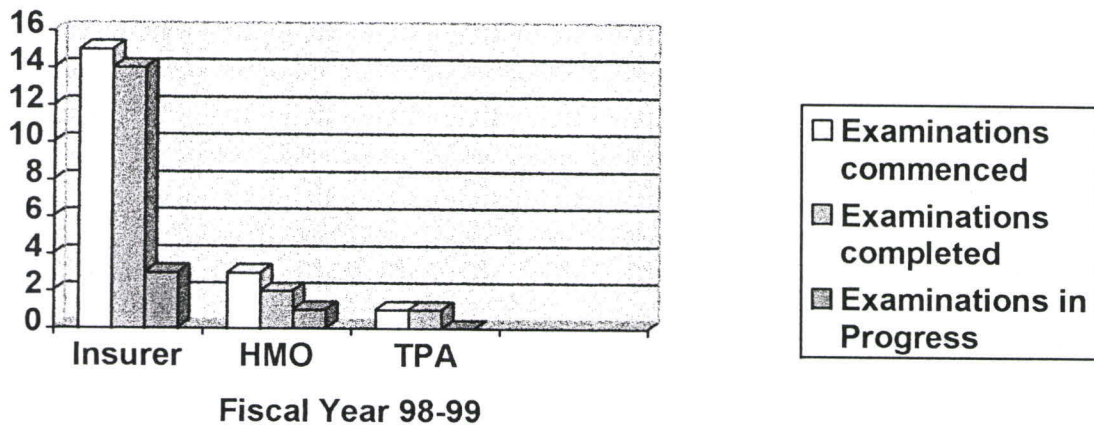
## PERFORMANCE MEASURES

Fifteen (15) examinations of insurers were commenced during the period July 1, 1998 to June 30, 1999. One (1) examination was based on a one-year schedule, two (2) on a two-year schedule, four (4) examinations were based on a three-year schedule, two (2) examinations were based on a four-year schedule, and three (3) examinations on a five-year schedule. Three (3) target examinations were conducted. Three (3) examinations of health maintenance organizations were commenced during the period from July 1, 1998 to June 30, 1999. One (1) examination was based on a one-year schedule, one (1) on a two-year and one (1) on a three-year schedule. One (1) examination of a third party administrator was commenced and



completed. No later than sixty days following completion of each examination, information was developed for timely, appropriate regulatory action where necessary.

## MARKET CONDUCT EXAMINATIONS



## FINANCIAL ANALYSIS

**No. of Financial Statements Analyzed: 1712**

### GOAL

To monitor the financial condition and operations of insurers and health maintenance organizations conducting business in this State which have been licensed by this Department under the provisions of the South Carolina insurance and health maintenance organization statutes.

### OBJECTIVE

To analyze, within the guidelines of South Carolina insurance and health maintenance organization statutes, the financial and other information available, of all insurers and health maintenance organizations which have been licensed or approved by this Department to conduct business in this State in order to ensure that each will be able to meet its financial responsibilities and obligations to policyholders, enrollees, and creditors. Commencing March 1 each year, the financial statements of 1) all domestic insurers and health maintenance organizations are to be reviewed by April 1 each year; 2) all foreign priority insurers and health maintenance organizations are to be reviewed by June 1 each year; and 3) all remaining insurers and health maintenance organizations are to be reviewed by September 15 each year.

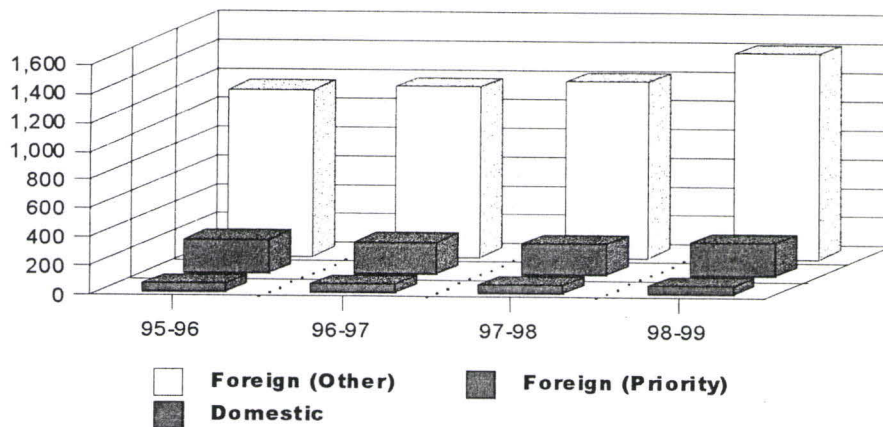
### PERFORMANCE MEASURES

Commencing March 1, 1999, the financial statements of: 1) Fifty-one domestic insurers and health maintenance organizations were reviewed by April 1, 1999; 2) Two hundred and thirty-nine foreign priority insurers and health maintenance organizations were reviewed by

June 1, 1999; and 3) One thousand, four hundred and twenty-two remaining insurers and health maintenance organizations were reviewed by September 15, 1999. Based on those reviews, six insurers were requested to, and did, place an additional deposit with this Department for the protection of South Carolina policyholders; four insurers voluntarily agreed to cease writing new business in South Carolina; the certificates of authority of five insurers were suspended by the Director; and the certificates of authority of eight insurers were revoked by the Director.

## TREND DATA

### ANNUAL STATEMENTS ANALYZED



## SECURITIES CUSTODIAN

<b>Total Security Deposits:</b>	<b>\$322,987,668</b>
<b>No. of Transactions:</b>	<b>1022</b>

## GOAL

To receive, verify, deposit, withdraw, and maintain control of all securities on deposit with this Department for the protection of the South Carolina policyholders, enrollees, and creditors of insurers and health maintenance organizations conducting business in this State.

## OBJECTIVE

To accurately maintain the deposits of domestic and foreign insurers, domestic and foreign health maintenance organizations, eligible surplus lines insurers, premium service companies, and third party administrators.

## PERFORMANCE MEASURES

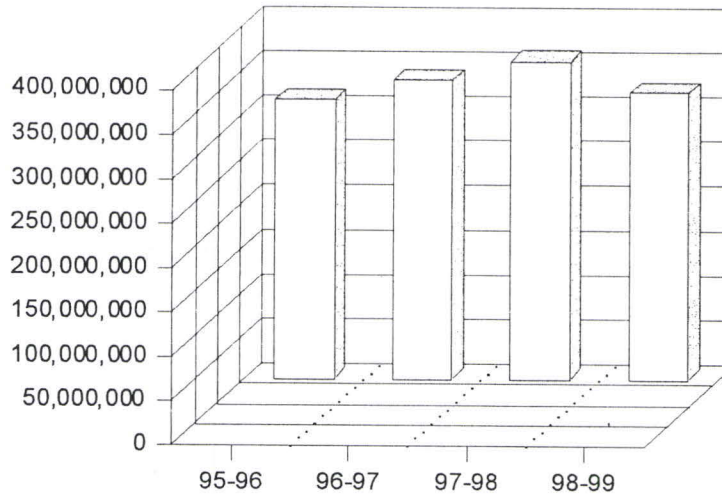
Deposits totaling \$322,987,668 were held by the Director of Insurance on behalf of 1,001 licensed insurers and health maintenance organizations, premium service companies, and third party administrators as of June 30, 1999. The type and market values of the securities placed by each entity was verified for compliance with statute and regulation. Transactions to



the Department's data processing system during the period from July 1, 1998 to June 30, 1999 totaled 1,022 - 500 deposits and 522 withdrawals.

## **TREND DATA**

### **SECURITIES DEPOSITS**



## **INSURER AND HEALTH MAINTENANCE ORGANIZATION LICENSING**

**No. of Applications Reviewed & Analyzed: 85**

### **GOAL**

To timely review the financial and other pertinent information submitted by insurers and health maintenance organizations applying to conduct business in this State in order to determine compliance with South Carolina insurance and health maintenance organization statutes.

### **OBJECTIVE**

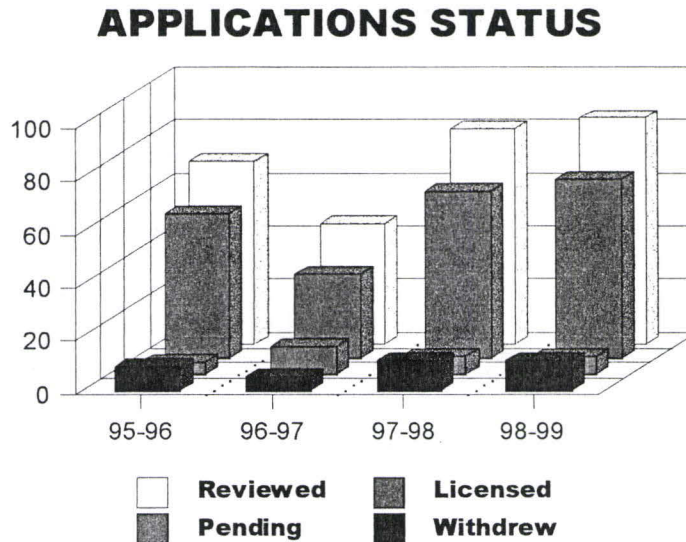
To analyze, within the guidelines of South Carolina insurance and health maintenance organization statutes, the financial and other information available of all insurers and health maintenance organizations applying to conduct business in this State in order to ensure that each will be able to meet its financial responsibilities and obligations to policyholders and creditors. All insurers and health maintenance organizations which submit properly completed applications and which comply with South Carolina insurance and health maintenance organization statutes should be licensed within one hundred and eighty days from receipt of the application.

### **PERFORMANCE MEASURES**

From July 1, 1998 to June 30, 1999, eighty-five insurer and health maintenance organization applications were received and analyzed. Sixty-eight of the applications were deemed to be in compliance with South Carolina insurance and health maintenance organization statutes and

were licensed, on the average, within ninety days from the receipt of their application. As of June 30, 1999, eleven of the applications remained pending and six had been withdrawn due to the applicants' failure to either submit a properly completed application or for failure to be in compliance with South Carolina insurance and health maintenance organization statutes.

## TREND DATA



## MAINTAINING AND RESPONDING TO INQUIRIES REGARDING THE DEPARTMENT'S HISTORICAL DATABASES

**No. of Transactions Performed: 458**  
**No. of Telephone Calls: 21,701**

## GOAL

To timely review transactions involving insurers, health maintenance organizations, and other licensed entities in this State in order to document those transactions on the Department's historical databases and to respond to inquiries regarding the information.

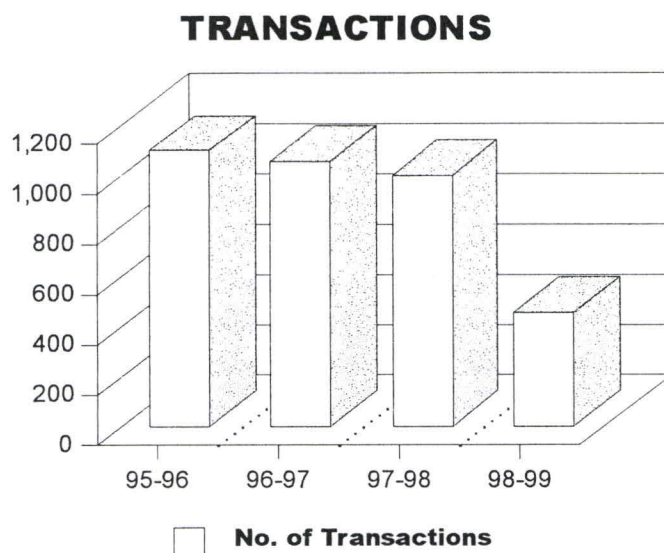
## OBJECTIVE

To receive information regarding insurer, health maintenance organization, and other licensed entities' transactions within thirty days of their effective dates, and to review and record the transactions within five working days from date of receipt.

## PERFORMANCE MEASURES

From July 1, 1998 to June 30, 1999, four hundred and fifty-eight transactions were reviewed and recorded on this Department's databases. Twenty-one thousand, seven hundred and one telephone inquiries pertaining to information contained on the Department's historical databases were responded to during the period.

## TREND DATA





## **PROGRAM: CONSUMER SERVICES AND PUBLIC INFORMATION**

### **PRIORITY #2**

**Costs: \$422,636 - State**  
**No. of Employees 12**

### **RESPONSE TO CONSUMER COMPLAINTS**

**No. of Written Requests: 4,189**  
**No. of Telephone Requests: 43,484**

### **GOAL**

To act with dispatch in the protection of members of the consuming public who may be policyholders or claimants against unfair sales and advertising, underwriting, and claims handling practices.

### **OBJECTIVE**

To resolve and respond to consumer complaints/inquiries within thirty days of receipt within the Department's Office of Consumer Services.

### **PERFORMANCE MEASURES**

During the fiscal year 1998-1999, the Office of Consumer Services received 4,189 written complaints from South Carolina citizens. In addition, the Division handled a total of 43,482 complaint telephone inquiries filed with the Department by individuals who experienced concern or had problems related to an insurance product. Roughly 55% of written and telephone requests for assistance involved life, accident and health Insurance and 45% involved automobile and other property lines of insurance.

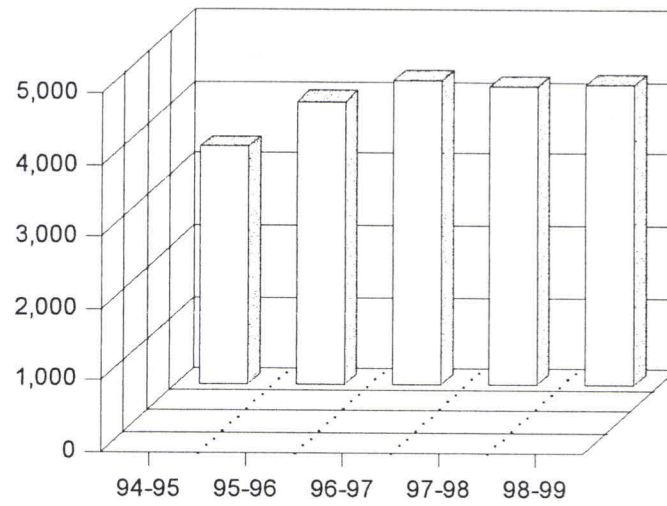
During this fiscal year the Division concluded all written requests for assistance within an average of 17 days and all telephone requests for assistance were handled the same day received.

As a result of the procedure requirements for insurers and licensed individuals to respond to this Office within fifteen (15) days notice of a request for assistance, the Office of Consumer Services is able to handle an insured's written request for assistance in an average of seventeen (17) days. This is significantly less than the projected goal of thirty (30) days established within the Office to have consumer requests for assistance resolved.

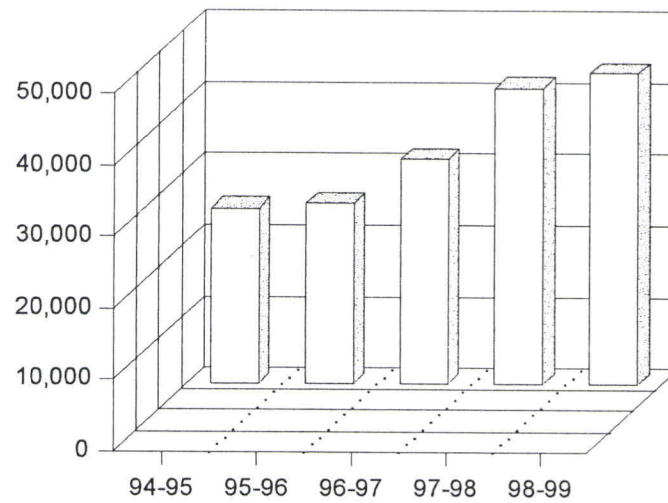
Since 1994, consumers written requests for the Department's assistance have increased by 880 or 26.5%. From fiscal year 1994-1995 to 1998-1999, the number of telephone inquiries received in the Office of Consumer Services has increased by 18,932 or 77.1%.

## TREND DATA

### WRITTEN COMPLAINTS



### TELEPHONE INQUIRIES



## **CONSUMER INSURANCE EDUCATION**

**No. of Outreach Engagements 100+**

### **GOAL**

To improve the consumers' knowledge of the insurance products marketed in South Carolina.

### **OBJECTIVE**

To establish, within the Consumer Services Section, ongoing programs of consumer insurance education via brochures and public appearance regarding various lines of insurance (auto, fire, homeowners, health and life insurance coverage).

### **PERFORMANCE MEASURES**

During this fiscal year, the Department's proactive consumer educational objective was to improve upon previous years' efforts to educate consumers and industry regarding insurance related matters. As a result, 100 speaking and other outreach engagements were completed by the Department's staff. In addition, approximately 65,000 brochures and other consumer information was distributed to the public. Further, the Department sponsored, with the support of South Carolina ETV, an hour long television program to communicate changes in the State's new automobile insurance laws. Media representation involving television, radio, and newspapers. All of these entities were supportive of the Department's efforts to educate South Carolina consumers on the new automobile law.

The number of speeches and other outreach activities handled by the Department during this fiscal year period remains almost the same as prior year. Since fiscal year 1997-1998, the number of brochures distributed has increased some 45,000 or 225%. Through collaborative efforts with the South Carolina Wind and Hail Underwriting Association, over 40,000 brochures involving disaster preparation was distributed to that group's policyholders. This has resulted in a better informed public with a more thorough understanding of insurance issues.

## **MARKET ASSISTANCE**

**No. of MAP Requests 106**

### **GOAL**

To assist consumers in their efforts to locate hard-to-place insurance coverage within the insurance market through the Department's Market Assistance Program (MAP).

### **OBJECTIVE**

To use a market assistance program to assist consumers in locating required insurance coverage which are difficult to find within the insurance marketplace.



## PERFORMANCE MEASURES

During the fiscal year 1997-1998, a total of 106 consumers contacted the Office of Consumer Services seeking assistance finding health insurance and property insurance related coverage. The reduced activity to utilize the Department's MAP Program is looked upon as being favorable. This analysis shows that the Department's out reach efforts and consumer education involving insurance are making a difference in addressing consumer needs.

The Insurance Regulatory Analysts in the Office of Consumer Services processed all 106 requests for assistance within the same day received. All consumers who contacted the Department were connected with a reliable marketing outlet to resolve their respective insurance availability concerns.

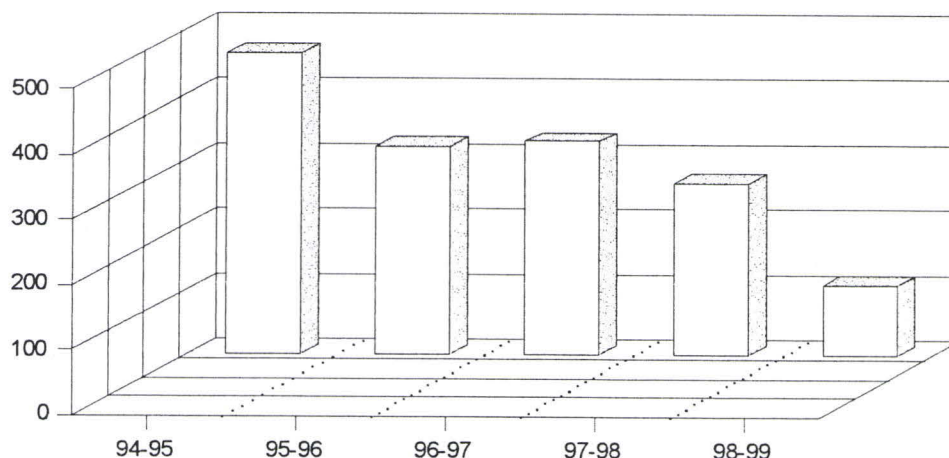
The MAP is a multi-line effort utilized through the Office of Consumer Services to help stakeholders locate accident and health and property and casualty lines of insurance. The organization of an insurance forum which attracted over 200 insurance executives representing more than 100 insurers, in addition to the implementation of the new auto insurance law has attracted almost 100 new auto and property related insurers to the State. These new insurers' presence has lessened the need for consumers to contact the Department for MAP assistance as insurance products are more readily available. Further, total quality management efforts through an intra-agency quality management committee continues to address market assistance issues and concerns.

Since the fiscal year 1994-1995, the number of requests for assistance through the Department's MAP has decreased by 355 requests or 77%.

The following graph reflects the downward trend of usage of the Department's MAP:

## TREND DATA

**MARKET ASSISTANCE PROGRAM**



## **DISASTER RESPONSE**

### **GOAL**

To immediately respond to consumer needs following natural disasters.

### **OBJECTIVE**

To establish, within the Office of Consumer Services, an initial action unit to respond to special and immediate consumer concerns during times of natural disasters.

### **PERFORMANCE MEASURES**

During fiscal year 1998-1999, there continued to be tropical storms, tornadoes and flooding incidents that required the Office of Consumer Services involvement.

In response to these natural disasters, the Office of Consumer Services provided telephone and on the scene services to the public. Proactive efforts were initiated resulting in county emergency preparedness directors being contacted and Department services being made available. The Deputy Director for the Office of Consumer Services appeared on several news television stations, radio stations and issued several news releases to the public regarding before and after the storm educational material for consumers to follow.

In addition, the Office of Consumer Services continues to work closely with licensed insurers in the State to insure that policyholders are able to receive quick services during a natural disaster. Consistent demand for quick turn around services throughout the year in processing consumers' request for assistance helps to set the stage for prompt services to the public during disastrous conditions.

## **SOUTH CAROLINA REINSURANCE FACILITY**

### **GOAL**

To assure that the activities of the South Carolina Reinsurance Facility (SCRF) comply with the statutes.

### **OBJECTIVE**

To monitor the activities of the SCRF in order to assure its actions comply with state statutes. Regulatory will be extended to include oversight action taken by the SCRF Board and its auxiliary services.

### **PERFORMANCE MEASURES**

During this fiscal year, the SCRF Board of Governors and the Operating Committee met a minimum of 14 times to discuss underwriting, claims, legal and other administrative issues regarding the State's Automobile Insurance Residual Market Mechanism. In addition, three of the five sub-committees of the SCRF met during this fiscal year.



The Department's representatives attended all Board committee meetings and most of the sub-committee meetings. All changes to the SCRF's Manual regarding Plan and Rules of Operation changes received prior review and approval by the Department before being adopted by the SCRF Board.

The oversight of this \$350,000,000 operation by the Department assured that action taken by the SCRF complied with statute and was in the best interest of the public and all insurer's licensed to sell automobile liability insurance in South Carolina. As a result of the implementation of the new automobile insurance law, new and renewal brochures placed in the South Carolina Reinsurance Facility has declined significantly. Depopulation of the Facility will lessen the chances that good risk drivers will have to continue subsidizing of bad/high risk drivers.

### **PRIORITY # 3**

**Costs: \$839,377 - State**  
**\$16,650 -Other (Advertising Reimbursement)**  
**No. of Employees 16**

### **POLICY FORMS REVIEW**

**Filings Received: 17,020**

### **GOAL**

To protect the insurance buying public by ensuring that policy forms are in compliance with the laws and regulations of South Carolina.

### **OBJECTIVE**

Review property, casualty, life, accident and health insurance policy forms to ensure that they are in compliance with the laws and regulations of South Carolina and that they do not contain provisions which are unfair, deceptive, ambiguous, misleading or unfairly discriminatory. Our objective is to perform accurate and thorough reviews and to complete these reviews within a reasonable length of time. The length of time varies between 30 and 60 days depending on the type of policy form.

### **PERFORMANCE MEASURES**

There are several performance measures for the review of policy forms: number of policy forms received, the number of forms approved, the number of forms received for information only, the number of forms disapproved, the number of forms pending and the average date of the forms on which the analysts are currently working.

During fiscal year 1998-99, the Life, Accident and Health Division received 9,034 new filings. Of those forms, 2,295 were approved, 1,492 were received for information only, 3,468 were disapproved, 218 were withdrawn, 125 were exempt with the remainder pending. At the end



of Fiscal Year 1998-99, the policy forms analysts, on average, were beginning the review of forms received 60 days prior to the end of the year.

During fiscal year 1998-99, the Property and Casualty Division received a total of 7,986 new form, rule and rate filings. Of those form, rule and rate filings, 6,160 were approved, 236 were disapproved and 4 were withdrawn, with the remaining pending. At the end of Fiscal Year 1998-99, the forms and rates analysts, on average, were beginning the review of form, rule and rate filings received 60 days prior to the end of the year.

The measures for fiscal year 1998-99 show that a large number of forms were reviewed in a timely fashion. This helps the consumer by protecting them from buying insurance which is not in compliance with state laws. A timely response helps the industry by enabling them to introduce new products to the marketplace in a reasonable time frame.

## **POLICY RATES REVIEW**

### **GOAL**

To ensure that benefits under Individual Accident and Health insurance policies are not unreasonable in relation to premiums charged and to ensure that rates for Property and Casualty insurance are neither excessive, inadequate or unfairly discriminatory.

### **OBJECTIVE**

Review individual accident and health insurance rates and individual health maintenance organization rates to ensure that benefits provided in the policies are not unreasonable in relation to the premiums charged. Our objective is to perform accurate and thorough reviews and to complete these reviews within a reasonable length of time. The length of time varies between 30 and 90 days depending on the type of policy form. In addition to reviewing rates for new policy forms and requests for rate increases, several other duties are performed to ensure that benefits provided in the policies are not unreasonable in relation to the premium charged.

The Property and Casualty Division, a notice of filing is required when the written premium is \$2,000,000, and an increase in a policyholders rate. The notice of filing is published in statewide newspapers. A public hearing is required when someone intervenes on the notice of filing.

### **PERFORMANCES MEASURES**

There are several performance measures for the review of policy forms: total number of rate filings reviewed, the number rate filings reviewed for new policy forms, the number of rate filings reviewed for rate increases requests, average date of the rate filings for new policy forms on which the analysts are currently working and the average date of filings for rate increases on which the analysts are currently working.

During fiscal year 1998-99, the Life, Accident and Health Division reviewed 871 rate filings. Of those filings, 398 were rate filings for new forms and 473 were rate increase requests. 60 Medicare supplement refund calculation reports were also reviewed with no reported premium refunds due in South Carolina as of May 31, 1999. 62 Small Employer Insurer Group Health

actuarial certifications were also reviewed. Insurers who certificates contained exceptions for calendar year 1998 were audited and found to be in the process of phasing in new rating plans as a result of the changes in rating requirements effective July 1, 1997. The performance measures for the review of property and casualty insurance rates are included in the previous section labeled policy forms review.

The measure for fiscal year 1997-98 indicates that a large number of reviews were performed in a timely fashion. This helps the consumer by ensuring that insurers are not charging rates that are unreasonable in relation to the benefits provided.

## **ASSISTANCE AND TRAINING**

### **TRAINING**

#### **GOAL**

To provide technical assistance and training on Property, Casualty, Life, Accident and Health insurance issues to the Director of Insurance, to other divisions of the Department, and to consumers.

#### **OBJECTIVE**

Train and assist volunteers in the I-Care program with respect to Medicare supplement insurance and other forms of health insurance. Educate and inform members of the insurance industry of changes to laws, regulations and bulletins that affect the insurance industry.

### **PERFORMANCE MEASURES**

Six presentations were given to train and assist volunteers in the I-Care program with respect to Medicare Supplement insurance and other forms of health insurance. Our participation in this program helps elderly consumers make better informed decisions about purchasing health insurance.

Two presentations were given to train insurance agents and insurer personnel on the changes to health insurance laws.

### **CONSUMER ASSISTANCE**

#### **GOAL**

To provide accurate, timely, courteous and professional assistance to consumers with respect to technical issues and support our Office of Consumer Services with respect to rating issues.

#### **OBJECTIVE**

Maintain an accurate consumer guide for Medicare supplement insurance which contains premium rates for all standardized plans of all insurers approved for sale in South Carolina and update this guide quarterly.



Assist with technical consumer complaints and problems with respect to life, accident and health insurance in a courteous and timely fashion.

Assist with technical consumer complaints and problems with respect to property and casualty insurance in a courteous and timely fashion.

## **PERFORMANCE MEASURES**

The Medicare supplement premium comparison guide was updated and published on May 1, 1997 and November 1, 1997.

The Life, Accident and Health Division processed approximately 115 consumer complaints involving rating issues while the Property and Casualty Division processed 56 consumer complaints involving rating issues.

## **LEGISLATIVE ASSISTANCE**

### **GOAL**

Provide assistance to the legislative and executive branches of government regarding the creation of new statutes or the amending of existing statutes.

### **OBJECTIVE**

Provide technical assistance in the drafting of proposed legislation. Such assistance is provided to the Director, legislators and to legislative committee staff who have requested assistance from the Director.

## **PERFORMANCE MEASURES**

Request for technical assistance on proposed or current legislation come from the Director or his executive assistants. Each request has a time frame for completion of the request and the time frame varies from several hours to several months.

Bills for which the Department participated and testified include:

### **Bills**

SB 337  
SB 566/5382  
HB3928  
HB3525  
HB3071  
S435

### **Subject**

Credit Insurance  
Mental Health **Parity**  
Point-of-Service  
Premium Service Companies  
No Pay No Play  
Rent to Own

Provided input to the Governor's office on the following federal legislative issues:

H.R. 10 – Financial Modernization

H.R. 448/H.R.1496 - Multiple Employee Welfare Arrangements (MEWAS)/Health Marts



# **NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS**

## **GOAL**

To represent the interest of South Carolina consumers and the domestic insurance industry at the national level and obtain information regarding insurance issues pertinent to the State of South Carolina.

## **OBJECTIVE**

Attend NAIC meetings and keep the Director and Deputy Directors informed regarding current issues which may effect consumers, the industry, the Department of Insurance, or other departments within South Carolina state government.

Represent the South Carolina Department at the NAIC.

## **PERFORMANCE MEASURES**

Attended 1998 Fall and Winter NAIC national meetings. Informed Director and Deputy Directors of issues that may effect consumers, the industry, the Department of Insurance or other departments within South Carolina state government.

## **FINANCIAL CONDITION AND RESIDUAL MARKETS**

### **FINANCIAL CONDITION**

#### **GOAL**

Provide technical expertise regarding actuarial principles involved in measuring the financial condition of insurers.

#### **OBJECTIVE**

Assist in financial condition examinations by providing actuarial opinions on loss reserves, assessing company practices with regard to claims operations, and evaluating market conduct practices.

#### **PERFORMANCE MEASURES**

Insurers where examinations were completed include:

South Carolina Insurance Company  
Catawba Insurance Company  
South Carolina Farm Bureau Insurance Company  
South Carolina Wind & Hail Underwriting Association  
Consolidated American Insurance Company  
Piedmont Insurance Company  
Select Health  
Old Spartan Life Insurance Company Inc.  
Palmetto Casualty Insurance Company  
Physicians Health Plan of South Carolina

Financial condition exams are scheduled months in advance. For most companies, the actuarial work requires fifteen to forty hours of work. For troubled companies, the actuarial work becomes very involved and can take a lengthy period of time. The time allowed is constrained by the completion date scheduled for the examination. Effective financial condition examinations prevent insurer insolvency. This protects the policyholders from default and citizens from paying for insolvencies.

## **RESIDUAL MARKETS**

### **GOAL**

Represent the Department of Insurance of the boards of various mechanisms for residual markets in South Carolina and ensure their orderly operation.

### **OBJECTIVE**

The Department is charged with supervision of several residual market mechanisms in order to ensure their adequate performance and solvency. Residual market mechanisms include the following:

- South Carolina Associated Auto Insurers
- South Carolina Wind and Hail Underwriting Association
- South Carolina Reinsurance Facility
- South Carolina Medical Malpractice Joint Underwriting Association
- South Carolina Property and Casualty Guaranty Association
- South Carolina Life, Accident and Health Guaranty Association
- South Carolina Health Insurance Pool
- South Carolina Workers' Compensation Assigned Risk Plan
- South Carolina Small Employer Insurer Reinsurance Program

## **PERFORMANCE MEASURES**

The staff has attended many of the meetings held as well as participated in committee work. Each residual market mechanism performed adequately with staff involvement in all phases of their activities.



# INDIVIDUAL LICENSING AND EDUCATION

## PRIORITY # 4

<b>Costs: \$557,904 - State</b>
<b>\$291,132 - Other (Course Approval Fees)</b>
<b>Telephonic Inquiries/Visitors: 47,540</b>
<b>No. of Employees: 13</b>

## LICENSING OF INDIVIDUALS

### GOAL

To accurately and efficiently issue agent, agency, broker, adjuster and appraiser licenses.

### OBJECTIVES

To administer the licensing of: insurance agents and agencies in accordance with Chapters 3, 43 and Regulation 69-23; Insurance adjusters in accordance with Chapter 47; motor vehicle physical damage appraisers in accordance with Chapter 49; and surplus lines brokers in accordance with Chapter 45, of Title 38, of the South Carolina Code of Laws. To accurately and efficiently issue agent, agency, broker, adjuster and appraiser licenses within 24 to 72 hours of the receipt of properly completed licensing paperwork, following a careful review of applications and qualifications and to maintain a record of those licenses. To process biennial renewals of licenses and to collect the appropriate fees.

### PERFORMANCE MEASURES

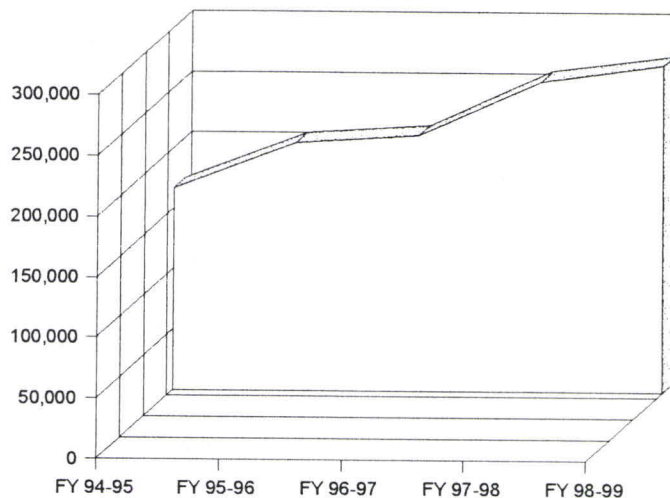
A total of 4,421 agency licenses were in force as of June 30, 1998, as compared to 3,895 as for June 30, 1997, which represents a 13% increase. Agency licensing renewals are on an even year basis. Therefore the 1998-99 Accountability report will not reflect renewal activity.

A total of 269,361 appointments for agents, brokers, adjusters and appraisers were in force as of June 30, 1998. These are up 5.2% from FY 1997-1998 and up 34.7% from FY 1996-97. In addition, total of 28,969 new agent, agency, adjuster, appraiser and broker appointments were issued between July 1, 1997 and June 30, 1998. All licenses were issued within 24 to 72 hours of the receipt of properly completed licensing paperwork. This turnaround time continues to be a substantial improvement from FY 94-95, when it took on average of 6 weeks to issue a license upon the receipt of the paperwork. Further, 101 applications submitted by agents, adjusters, appraisers and brokers, to be licensed to transact insurance in South Carolina, were denied. As of June 30, 1998, 7,067 licensing packets were returned to the insurer and/or applicant as being incomplete. Compared against previous year results, the number of returned applications have increased by 1,828 or 34.9%



## TREND DATA

### APPOINTMENTS HELD BY LICENSEES



For individual licenses, as of June 30, 1999: 50,962 agents held licenses and 4,455 held qualifications to be licensed; 8,643 adjusters held licenses; 1,256 motor vehicle physical damage appraisers held licenses, and 1,550 brokers held licenses.

During the August, 1999 biennial adjuster renewal period, 8,643 renewals were processed, with a renewal rate of 85%.

Prior to the 1997-1998 fiscal year, there had been no real accounting of the number of telephone and visitor inquiries which had been handled by the entire Program area. The leadership system determined that this should be tracked and instituted a process for this accounting. During the period July 1, 1998 through June 30, 1999, telephone inquiries and visitors to this area alone totaled 37,940. This activity represents a 3.8% increase over the FY period 1997-98

Licensing and renewal fees collected for the general fund as of June 30, 1999 were as follows:

Agent-\$12,167,625; Adjuster-\$218,700; Broker-\$27,140; Agency-\$30,020; Appraiser-\$17,325. It is important to note that individual licenses are renewed on a biennial basis. Agents', Brokers', and agency licenses are renewed during even years, while Adjusters and Appraisers are renewed during the odd years. As an example of how much fees fluctuate, the following comparison of fees are provided for fiscal years' 1997-1998 versus 1998-1999.

Agent Fees-(\$2,869,573-1998) vs. (\$12,167,625-1999) a difference of \$9,298,052 or 324% increase over prior year.

Adjuster Fees-(\$644,265-1998) vs. (\$218,700-1999) a difference of (\$425,565) or 66.1% decrease from prior year.

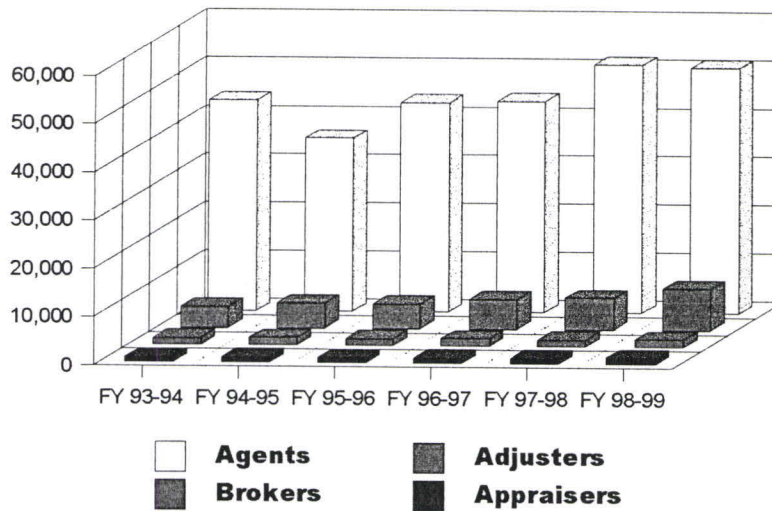
Broker Fees-(\$312,160-1998) vs. (\$27,140-1999) a difference of (\$285,020) or 91.3% decrease from prior year.

Agency Fees-(\$168,317-1998) vs. (\$30,020-1999) a difference of (\$138,297) or 82.2% decrease from prior year.

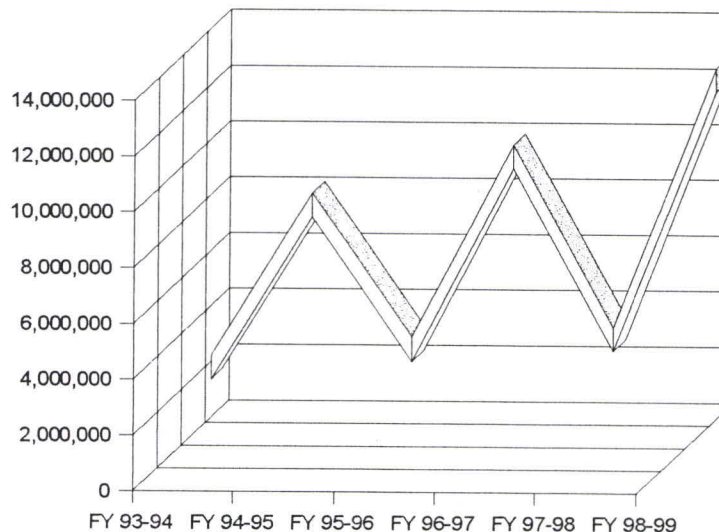
Appraiser Fees-(\$91,562-1998 vs. (\$17,325-1999) a difference of (\$74,237) or 81.1% decrease from prior year.

## TREND DATA

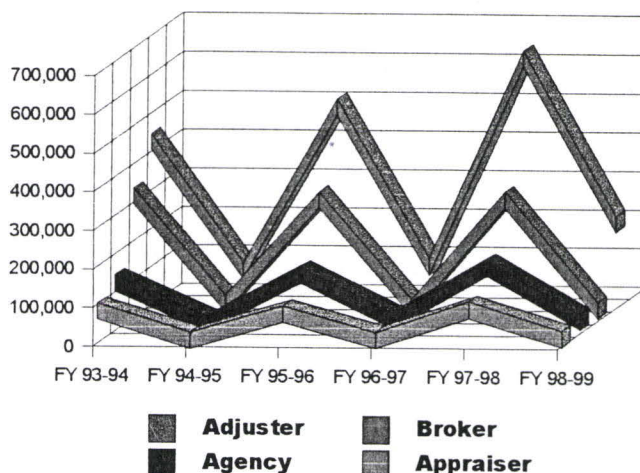
### LICENSED INDIVIDUALS



### AGENT LICENSING AND RENEWAL FEES



## OTHER LICENSING AND RENEWAL FEES



## QUALITY CUSTOMER SATISFACTION SURVEY

During July, 1997 through December, 1997, approximately 650 customer satisfaction survey cards were sent to stakeholders, which, upon return, reflected approximately 90% satisfaction rate. In anticipation of the replacement of a thirty year old filing system and in preparation of 1,507 agent renewals for insurers, a memorandum of explanation was sent to those insurers in June, 1998. As of June 30, 1998, information regarding the individual licensing process was posted to the Department's Internet homepage, including the appointment form for pre-need insurance, information required to be submitted with a licensing packet and two licensing applications.

## Non-Insurer Entity Licensing

### GOAL

To accurately and efficiently issue bail bondsmen licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

### OBJECTIVE

To administer the licensing of professional bail bondsman and runners in accordance with Chapter 53, of Title 38, of the South Carolina Code of Laws. Licenses will be issued within ten days following individual clearance from state and federal authorities. Licensing records will be accurately maintained for proper policing and enforcement of the professional bail bondsman, runner laws.

### PERFORMANCE MEASURES

As of June 30, 1999, 358 professional bail bondsman, runners, and surety bondsman were licensed by this Department to conduct the activities of bail bondsman and runners as specified by statute. License and renewal fees collected as of June 30, 1999 were \$45,800. These fees are collected on an annual renewal basis and represents a decrease of \$19,400 or almost 18.5% from the year ending June 30, 1998. It should be noted that licensing surety bondsmen requires as much time and resources as licensing professional bail bondsmen and

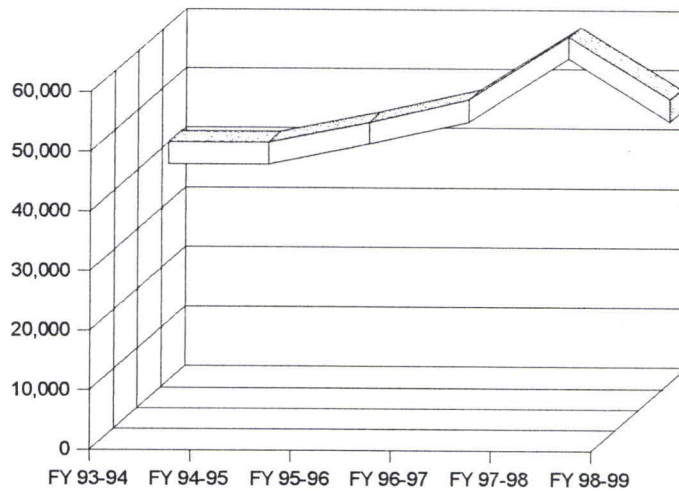


professional runner bondsmen, but no fee is collected for that license. On average, these licenses were issued within the projected ten-day period, after receipt of information qualifying the applicant for licensure. Department bail bonds runner records reflect that accurate record keeping was maintained which allowed the Department to avoid licensing non-qualified applicants. This strict policy has allowed only those individuals meeting the moral standards established by statute to be licensed.

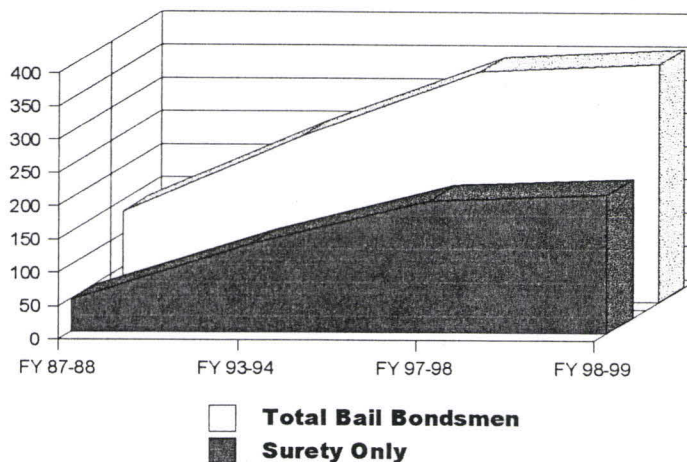
During the June, 1999 annual renewal, 380 renewals were processed, with a 94.3% renewal rate.

## TREND DATA

### LICENSING AND RENEWAL FEES



### LICENSED BAIL BONDSMEN



## GOAL

To accurately and efficiently issue Third Party Administrator Licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

## OBJECTIVE

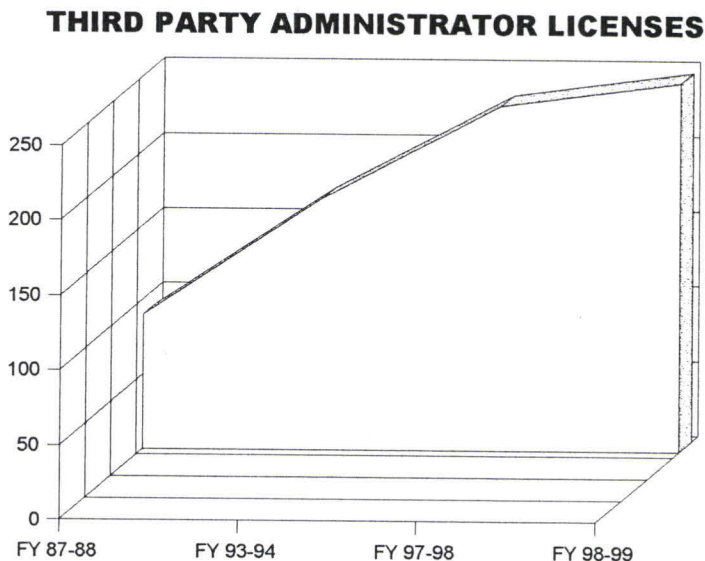
To administer the licensing of third-party administrators in accordance with Chapter 51, of Title 38, of the South Carolina Code of Laws. Licenses will be issued within ten days after required statutory requirements are met by the applicant. Licensing records will be accurately maintained for proper policing and enforcement of statute.

## PERFORMANCE MEASURES

As of June 30, 1999, 246 Third Party Administrators were licensed, which represents a 7% increase over prior year. On average, these licenses were issued within the projected ten-day period. Strict adherence to statutory requirements for licensure as a third-party administrator allowed for reputable entities to become licensed within the State.

During the March, 1999 annual renewal, 254 renewals were processed, with a 94.1% renewal rate.

## TREND DATA



## GOAL

To accurately and efficiently issue Premium Service Company Licenses following a careful review of applications, approval of forms and to maintain a record of those licenses. To process annual renewals of licenses and to collect the appropriate fees.

## OBJECTIVE

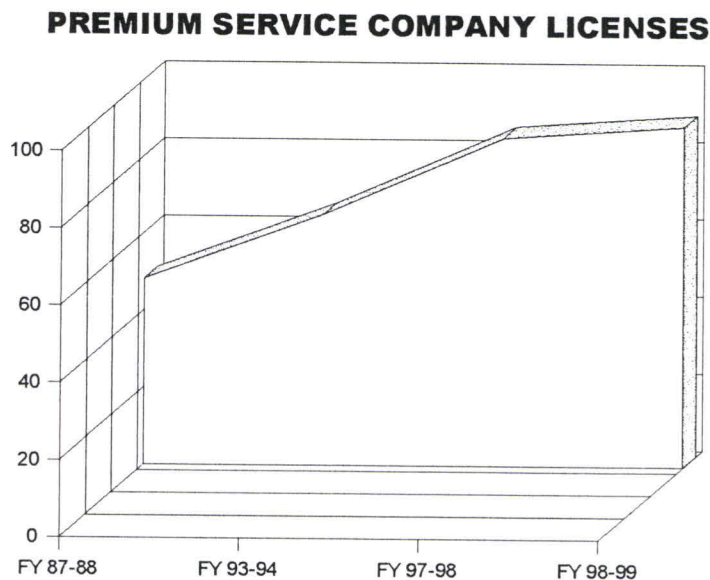
To administer the licensing of premium service companies in accordance with Chapter 39, of Title 38, of the South Carolina Code of Laws. Licenses will be issued after required statutory requirements are met by the applicant and the forms are reviewed and approved by the Office of Actuarial Services. Licensing records will be accurately maintained for proper policing and enforcement of statute. To review and analyze the financial and other information available, within the guidelines of the South Carolina insurance laws, rules and regulations, of all premium service companies which have been licensed to conduct business in this State in order to ensure that each is able to meet its financial responsibilities and obligations to its customers. All premium service company annual statements are to be reviewed each year by April 1.

## PERFORMANCE MEASURES

As of June 30, 1999, 88 Premium Service Companies were licensed, which represents a 41% increase over the last five years. On average, these licenses were issued within a thirty-day period following the receipt of the properly completed application and forms. Strict adherence to statutory requirements for licensure as a premium service company allowed for reputable entities to become licensed within the State.

During the March, 1999 annual renewal, 90 renewals were processed, with a 97% renewal rate. The financial statements of all 88 premium service companies renewed were reviewed by March 26, 1998. This process has inured to the benefit of the business community as well as the public, as only qualified entities were approved to finance premiums for the citizens in South Carolina in 1998.

## TREND DATA



## GOAL

To accurately and efficiently issue Private Review Agent (Utilization Review Companies) Licenses following a careful review of applications and qualifications and to maintain a record of those licenses. To process biennial renewals of licenses and to collect the appropriate fees.



## OBJECTIVE

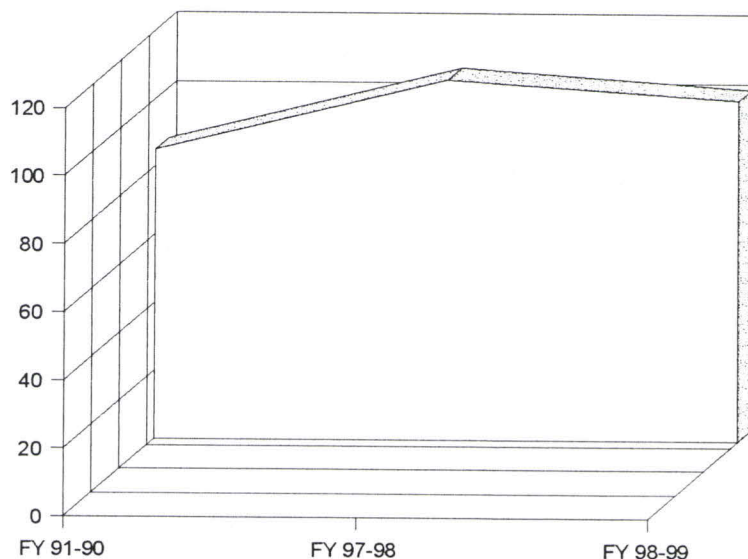
To administer the licensing of utilization review companies in accordance with Chapter 70, of Title 38, of the South Carolina Code of Laws. Licenses will be issued after required statutory requirements are met by the applicant and the forms are reviewed and approved by the Office of Actuarial Services. Licensing records will be accurately maintained for proper policing and enforcement of statute.

## PERFORMANCE MEASURES

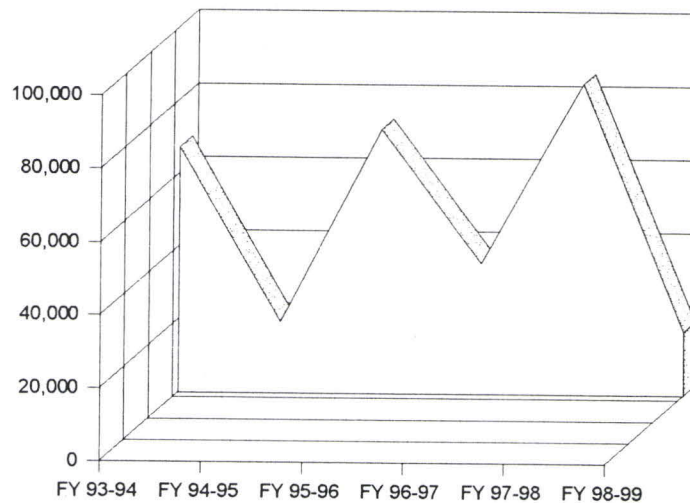
As of June 30, 1999, 100 Utilization Review Companies were licensed. Beginning with the year ending June 30, 1990, the Department began licensing Utilization Review Companies. In the past nine years, there has been an increase of 48% in the number of Utilization Review Companies which must be regulated by the Department of Insurance. In preparation of the June, 1999 biennial renewal, 100 renewal packets were mailed out in May, 1999. On average, these licenses were issued within a fifteen-day period following the receipt of the properly completed application and attachments. Strict adherence to statutory requirements for licensure as a utilization review company allowed for reputable entities to become licensed within the State. License and renewal fees collected as of June 30, 1999 for the general fund were \$17,200. Because calendar year 1999 is not a planned cycle renewal year, the collection of fees decline significantly. The 1999 calendar year results reflect a 79.7% decrease in fees collected from prior year. This process has inured to the benefit of the business community as well as the citizens in South Carolina.

## TREND DATA

**UTILIZATION REVIEW COMPANY LICENSES**



## LICENSING AND RENEWAL FEES



### EDUCATION

#### GOAL

To accurately and efficiently review and approve sponsors, instructors and courses for prelicensing and continuing education.

#### OBJECTIVES

To administer the review and approval of sponsors, instructors and courses for prelicensing and continuing education in accordance with Chapter 43, of Title 38 and Regulations 69-23 and 50, of the South Carolina Code of Laws.

#### PERFORMANCE MEASURES

As of June 30, 1999, 442 sponsors, 3,563 instructors and 2,950 courses for continuing education were approved in South Carolina. During fiscal year 1999, 509 new and 707 renewal continuing education courses were approved, 587 continuing education instructors were approved and 64 continuing education sponsors were approved.

As of June 30, 1999, there were 13 prelicensing courses for life, accident and health insurance which were being offered, and 13 prelicensing courses for property and casualty insurance. No new providers applied for approval during fiscal year 1998-99.

#### GOAL

To oversee the state insurance examination process.

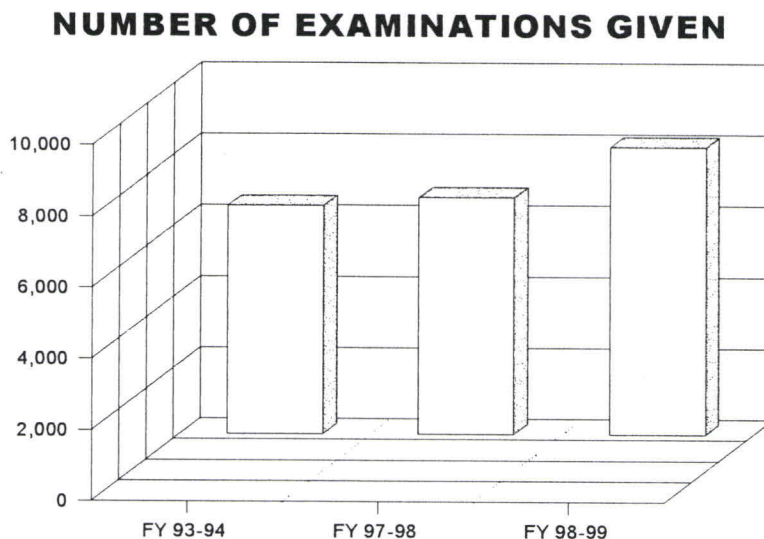
#### OBJECTIVES

To oversee the administration of the state insurance examination by the six technical colleges charged with responsibility of administering the 20 insurance examinations by providing examinations and answer keys and updating the examination and to ensure the integrity of the examination questions and administration.

## PERFORMANCE MEASURES

As of June 30, 1999, various state insurance examinations were administered to 8,067 stakeholders, with an 82% pass rate. As the results indicate, 1999 FY results reflects there were 1,408 or a 21.1% increase in the number of examinations administered.

## TREND DATA





## **PROGRAM: TAXATION**

### **PRIORITY #4**

**Costs: \$287,139 - State**  
**No. of Employees: 4**

### **COLLECTION OF PREMIUM TAXES**

**Tax Returns Audited: 1,502**  
**Revenue Collected: \$98 million**

#### **GOAL**

To collect and to timely deposit into the State's General Fund premium taxes due from insurers and brokers, a percentage of which will be distributed to county governments

#### **OBJECTIVE**

Insurers' premium taxes are to be collected by March 1, and deposited in the General Fund. Each of the 1,502 premium tax returns is to be audited and the total premium taxes collected balanced to the general ledger by June 30. Premium taxes collected from 225 fire insurance companies are to be distributed to the counties by July 20.

#### **PERFORMANCE MEASURES**

Premium taxes were collected and all audits were completed by June 19. Additional taxes due were collected by June 30. A listing of taxes for distribution to the counties was compiled and the taxes were balanced to the general ledger by June 24.

#### **OBJECTIVE**

Brokers' premium taxes are to be collected by January 30 and deposited in the General Fund. Each of the Summary of Transactions is to be reconciled to the brokers' detail records, and the total premium taxes collected are balanced to the general ledger by June 30.

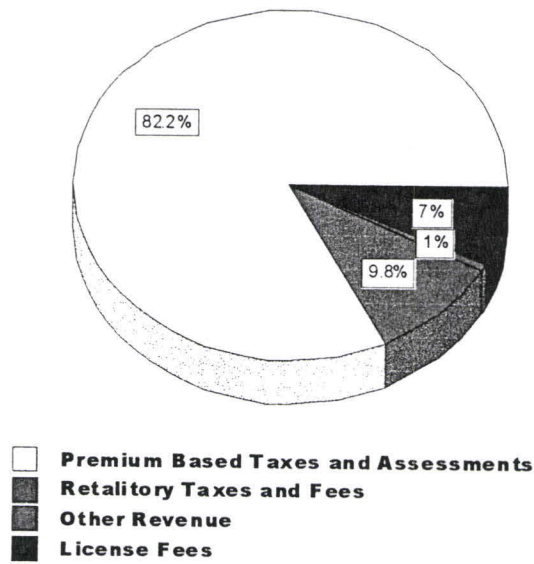
#### **PERFORMANCE MEASURES**

Brokers' premium taxes were collected and all Summaries of Transactions were reconciled by June 18 for the 177 brokers doing business in the State.

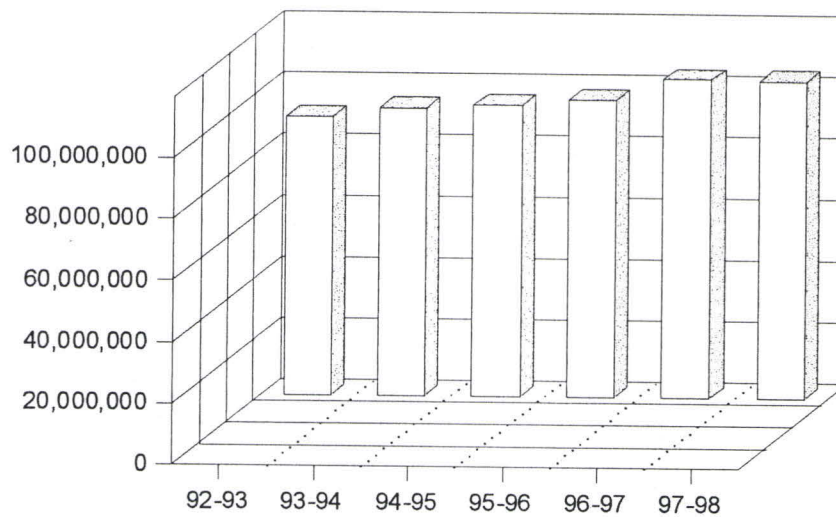
The Department collected over \$98 million in insurer and broker premium taxes of which approximately **\$6.8 million was distributed to county governments** with the balance retained in the General Fund. This represented **an increase of \$2 million over the previous year** and continued a trend of increases in collected revenue begun in FY 1992-93.

## TREND DATA

**GROSS REVENUE COLLECTED 1997-98 FISCAL YEAR**



**Gross Revenue Collections All Sources**



## **PROGRAM: STATE RATING AND STATISTICAL**

### **PRIORITY #4**

**Cost: \$422,636**  
**No. of Employees: 1**

### **ACTING AS STATISTICAL AGENT FOR THE STATE OF SOUTH CAROLINA**

**Automobile Statistical**  
**Transactions Processed: 16,775,551**

#### **GOAL**

To collect and validate automobile statistical data to arrive at a credible statistical sampling for a data base.

#### **OBJECTIVE**

Acting as Statistical Agent for the State of South Carolina, to validate and assure credibility of unit transaction statistical data received from all Casualty Insurers in South Carolina using a computer application within 60 days of receipt.

#### **PERFORMANCE MEASURES**

Data submitted by Casualty Insurers to the Rating and Statistical Division processed within the sixty day time period.

### **COMPILATION OF STATISTICAL REPORTS**

#### **GOAL**

To compile validated unit transaction data into similar groupings that may be used for analysis including, but not limited to the purposes listed in Section 38-73-760.

#### **OBJECTIVE**

To compile validated data into meaningful annual reports during the fourth quarter for the previous year that may be used in the capacity of assuring an adequate rate level for all insurers. Information from the Annual Statistical Reports is also provided to the SC Legislature; Insurance Companies; various Rating Organizations; and to members of the public. Statistical Reports are compiled annually during the fourth quarter of each year.

#### **PERFORMANCE MEASURES**

Statistical data is used in the translation of information in terms of final rates or premiums charges of each insurer of automobile insurance in South Carolina. Some of the



measurements used to arrive at this conclusion are: determining the pure loss rate level indications based upon all South Carolina loss experience; determining the reasonability of loss adjustment expenses; and for ensuring that improper and undue burdens are not imposed upon the South Carolina Reinsurance Facility by way of excessive ceding commissions to ceding insurers. All statistical reports were completed during the fourth quarter of the year and made available to affected entities upon request.

## **UNIFORM STATISTICAL PLANS**

### **GOAL**

Establishment of Uniform Statistical Plans as required by Section 38-73-760.

### **OBJECTIVE**

Establish and maintain a Uniform Statistical Plan necessary for the gathering and compilation of statistical data from insurers. Consideration must be given to the extent reasonable or practicable to the rules and forms of the plans used for rating systems in other states.

### **PERFORMANCE MEASURES**

Plans are updated periodically as the dynamics of the industry change and information must be collected differently.

## **UNIFORM RATING TERRITORIES**

### **GOAL**

Establishing Uniform Rating Territories as required by Section 38-73-760.

### **OBJECTIVE**

To establish and promulgate Rating Territory Classification Plans that are equitable based on results of analysis of statistical data gathered acting as statistical agent for the State of South Carolina. Using compiled statistical data, Rating Territories are evaluated annually.

### **PERFORMANCE MEASURES**

Determining the amount, validity, and propriety of territorial differentials applied to the general pure loss rate level. This measurement is taken on an annual basis.

## **PROGRAM: ADMINISTRATION**

### **PRIORITY #4**

<b>Costs: \$2,203,586 - State</b> <b>\$318,958 - Other (Miscellaneous Fees and Reimbursements)</b> <b>No. of Employees: Fiscal and Human Resources 8</b> <b>Information Resources 7</b> <b>General Counsel 11</b> <b>Executive Office 6</b>
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### **FISCAL AND HUMAN RESOURCES**

#### **GOAL**

To provide fiscal, human resources, and procurement services to the Department.

#### **OBJECTIVE**

To develop and administer, in accordance with the various statutes and regulations, Departmental policies and procedures in the areas of fiscal operations, human resources and procurement. To coordinate the Department's Total Quality Management goals and programs and assure that the programs address identifying customer needs and responding with services that efficiently meet those needs.

#### **PERFORMANCE MEASURES**

Completion of the Fiscal and Human Resources goals and objectives were accomplished by monitoring compliance with stated Departmental policies and procedures. Compliance with the policies and procedures was achieved through the guidance and interpretation provided to the Department's program areas by the Fiscal and Human Resources staff.

During 1997-98 the Department furthered its commitment to Quality Management with the formation of a strategic planning committee to work with consultants from the University of South Carolina on the development of **the first comprehensive strategic plan in the Department's history**. The development of the plan was funded with quality proviso funding the Department applied for and received the previous fiscal year. During this fiscal year internal assessments and the stakeholder analysis phases of the planning process were completed. New **mission and vision statements** were drafted and put into place clearly stating our purpose and identifying our customers and our responsibilities to them. The vision statement also describes what the Department wishes to become over the next five to ten years. While the Department realizes that it is unable to accomplish this vision alone, the strategic plan will address issues that the Department can impact in order to make this vision reality. The strategic plan is scheduled to be completed during the first quarter of FY 1998-99.

The Department's Quality Council remained active during the year. All members attended Principles of Quality Training. This provided the members a knowledge of the basics of quality in order to provide leadership on quality issues to the entire Department staff. The council also appointed the first cross-functional team charged with the development of a market assistance program for insurance consumers needing hard-to-find coverage.



The key to providing the best possible service to our customer base is a well-trained staff dedicated to providing a quality product. To provide maximum participation in the development of a training curriculum for the staff, the Director appointed a Training Advisory Committee to assure a planned approach with the objectives of increasing efficiency in Department operations and the delivery of quality services to our customers. In addition, all supervisors are required to attend the Associate Public Manager Program sponsored by the Center for Education, Quality and Assessment. Participation by our supervisors in this program provides them with the opportunity to acquire and practice leadership skills that will envelope the entire staff and result in the offering of quality services and products.

The results of our customer satisfaction surveys discussed elsewhere in this report indicate that our efforts in quality management are bearing positive results.

## **INFORMATION RESOURCES**

### **GOAL**

To provide effective and efficient Information Systems support and records maintenance service to the Department staff.

### **OBJECTIVE**

To provide an efficient and timely response in the designing, programming and installation of all data processing systems. On a daily basis, provide maintenance support for Departmental hardware, systems software and communications systems for end-users access to information and resources. Serve as a central point of contact to assist end-users with problem determination and resolution as related to information systems.

## **PERFORMANCE MEASURES**

Services offered by the Information Resources staff were driven to be end-user friendly. Staff directed its efforts toward desired out-put reflecting both accuracy and validity. Accomplishment of these measures assured that Department staff needs and consumer needs related to licensing, solvency and premium tax collection were met.

Staff worked with outside consultants to convert the Department's systems from mainframe to a client-server format that will be Year 2000 compliant. Schedules were developed to assure completion and implementation of the new systems no later than the end of the third quarter of FY 99-00.

## **GENERAL COUNSEL**

## **ACCEPTANCE OF SERVICE OF PROCESS**

### **GOAL**

To review summons and complaints served upon the Director of Insurance in his capacity as the agent for service of process for insurers transacting the business of insurance within the



State of South Carolina and to accept service if pleadings are served in accordance with South Carolina law.

## OBJECTIVE

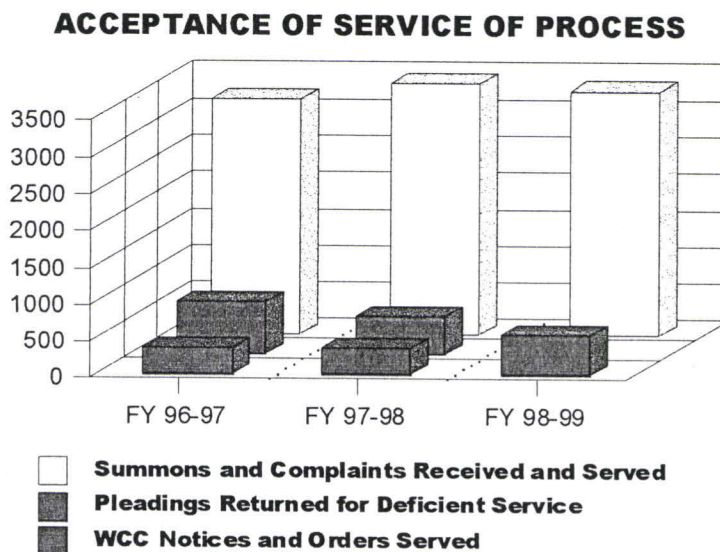
To accept or reject service of process on the same day the summons and complaints are received by the Office of General Counsel.

## PERFORMANCE MEASURES

During fiscal year 1998-99, the Office of General Counsel received approximately 3,320 summons and complaints in civil actions to be served upon insurers transacting the business of insurance within the State of South Carolina. Additionally, the Office received and served 548 pleadings from the South Carolina Workers Compensation Commission. This represents a 2.64% decrease over the civil action pleadings processed during fiscal year 1997-98, when the Office of General Counsel successfully processed and served 3,410 summons and complaints for civil actions and 350 pleadings from the Workers Compensation Commission. 702 pleadings were returned to counsel for deficient service upon the Director of Insurance during fiscal year 1996-97. The number of returns decreased by 26.6% to 515 during fiscal 1997-98. \$33,215.00 was collected in service of process fees for this fiscal year. This Office collected \$5,480 in service of process fees for the Workers Compensation Commission during the 1998-99 fiscal year compared to \$3,500 in 1997-98.

This service has a significant impact upon the resources of this Office. Approximately 40% of an employee's time is spent processing the documents received and contacting attorneys who have not properly served the documents upon the Department. The additional time spent contacting attorneys who have not properly served the documents has contributed to the decrease in the number of returned pleadings.

## TREND DATA



## RESPONDING TO REQUESTS FOR INFORMATION

### GOAL

To respond to requests for information in accordance with the South Carolina Freedom of Information Act.

### OBJECTIVE

To respond to requests for information within fifteen working days.

### PERFORMANCE MEASURES

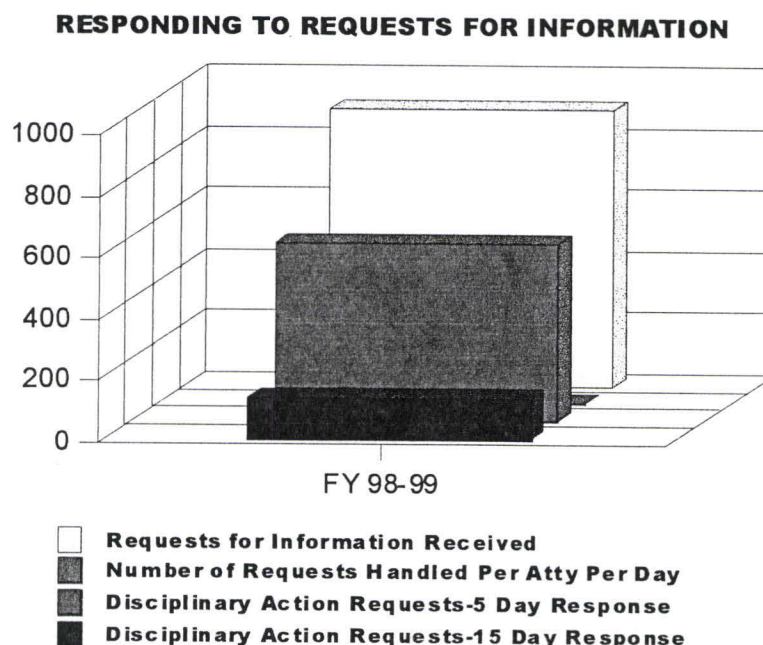
During Fiscal Year 1998-99, it is estimated that the Office of General Counsel received at least 906 requests for information under the Freedom of Information Act. The majority of these were requests for information regarding disciplinary actions taken against insurance agents. Responding to requests for information either verbally or in writing account for approximately 15% of the time of four members of this Office. All indications are the amount of requests for information will continue to increase. It is estimated that each attorney handled at least 2-3 such requests per day.

This figure does not include oral requests for information or requests that are easily handled over the telephone.

There is one staff member who is primarily responsible for responding to such requests for information in addition to other job responsibilities

It appears that the number of requests for information is increasing, although the total number of requests received during each fiscal year is an estimate. The Office is developing a system which will enable the Office of General Counsel to better track the number of such requests received and the number of hours spent compiling information in response to such requests.

### TREND DATA





# PROVIDING INTERPRETATIONS OF SOUTH CAROLINA INSURANCE LAWS

## GOAL

To provide interpretations of the South Carolina insurance laws to members of the Department, industry, general public and state government

## OBJECTIVE

To respond to requests for interpretations of the South Carolina insurance laws within thirty days' receipt of the request

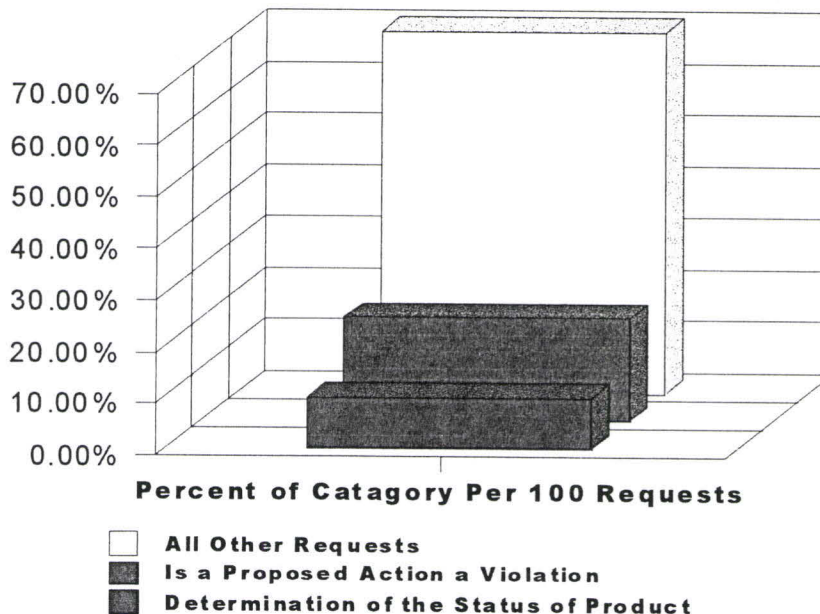
## PERFORMANCE MEASURES

The Office of General Counsel received 100 requests for interpretations of the South Carolina insurance laws. Approximately ten percent of these requests were requests for determinations of the status of a product as "insurance," twenty percent were requests by agents about whether a proposed action constituted a violation of the South Carolina insurance laws. These interpretations are advisory in nature and do not constitute legal advice. It is estimated that each attorney within the Office of General Counsel receives and responds to more than five such requests per month. It is anticipated that providing this service may prevent some insurers and agents from engaging in conduct which may be violative of the South Carolina insurance laws.

Requests for such opinions and consultations with counsel are increasing. Therefore, the caller is asked to place such requests for assistance, in writing, to the Office of General Counsel.

## TREND DATA

PROVIDING INTERPRETATIONS OF SOUTH CAROLINA INSURANCE LAWS





## **PROVIDING ADVICE AND COUNSEL ON THE LEGAL IMPLICATIONS OF PROPOSED ACTION OR POLICY**

### **GOAL**

To provide advice and counsel to the supervisory staff of the South Carolina Department of Insurance on the legal implications of proposed action or policy

### **OBJECTIVE**

To provide advice and counsel to the member of the supervisory staff of the Department on matters such as policy development, license denials, appeals, insurer suspensions and market conduct examinations.

### **PERFORMANCE MEASURES**

The Office of General Counsel routinely receives requests for advice and opinions from the staff of the South Carolina Insurance Department.

These requests were responded to during the upcoming fiscal year. There are no accurate numbers available to reflect the total number of requests responded to during this past fiscal year. The Office is in the process of implementing a project tracking system to enable us to keep better track of work handled by the Office of General Counsel.

This service enables the Department to avoid some potential legal problems and ensures that the Department is operating in compliance with state and federal laws. The number of calls received by the Office of General Counsel appears to be on the rise.

## **ADMINISTRATIVE DISCIPLINARY PROCESS**

### **GOAL**

To investigate violations of the South Carolina insurance laws and to impose administrative disciplinary action where appropriate

### **OBJECTIVE**

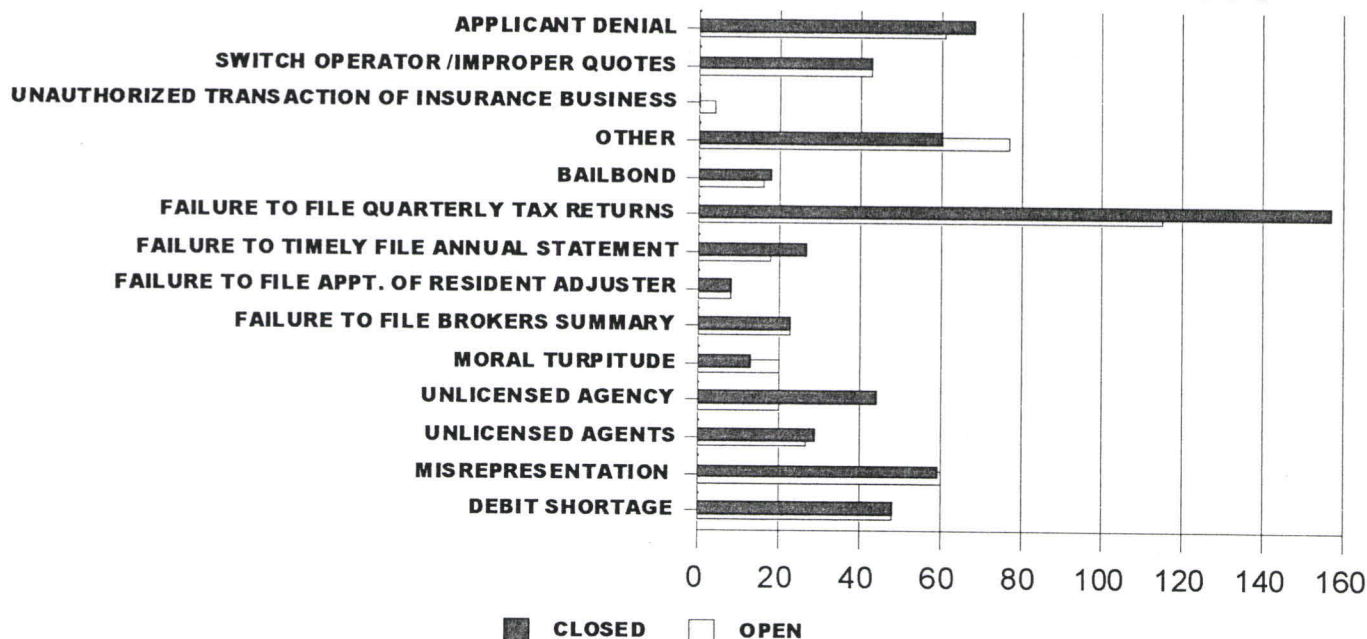
To timely investigate allegations that the South Carolina insurance laws have been violated and impose administrative disciplinary action where appropriate

### **PERFORMANCE MEASURES**

It is estimated that the South Carolina Department of Insurance received 555 allegations of violations of the South Carolina insurance laws during Fiscal Year 98-99. Six Hundred Twelve of those files were closed during this fiscal year. Below is a chart depicting the types of complaints received and the status of each.

The Investigations Section of the Office of General Counsel opened 555 investigation files during the past fiscal year. It closed 612 investigation files. One Hundred Fifty two of these actions resulted in administrative fines; one resulted in a license suspension; and 61 resulted in revocations. Seven files were referred to the Insurance Fraud Division of the South Carolina Attorney General's Office for criminal investigation and prosecution.

# ACCOUNTABILITY REPORT FOR FISCAL YEAR 1998



## ADMINISTER RECEIVERSHIPS ON BEHALF OF THE STATE OF SOUTH CAROLINA

### GOAL

To monitor the insurers placed under suspension, in receivership, or liquidation and to distribute the assets in accordance with South Carolina law.

### OBJECTIVE

To resolve a minimum of ten pending receiverships by the close of the fiscal year.

### PERFORMANCE MEASURES

Approximately 16 receivership estates were pending resolution at the beginning of the 1998-99 fiscal year. The Ancillary Receiver placed two foreign liquidations in receivership during the fiscal year, the Director suspended the licenses of five insurers, and revoked the licenses of 13 insurers.

Nine of those 16 estates were successfully closed during the 1998-99 fiscal year; one other file was held open pending the results of a deposition concerning the related statutory deposit.

The impact of the Office of General Counsel's efforts in this area is that more funds were made available to the Guaranty Associations to minimize the number and amount of assessments that had to be made against member insurers.

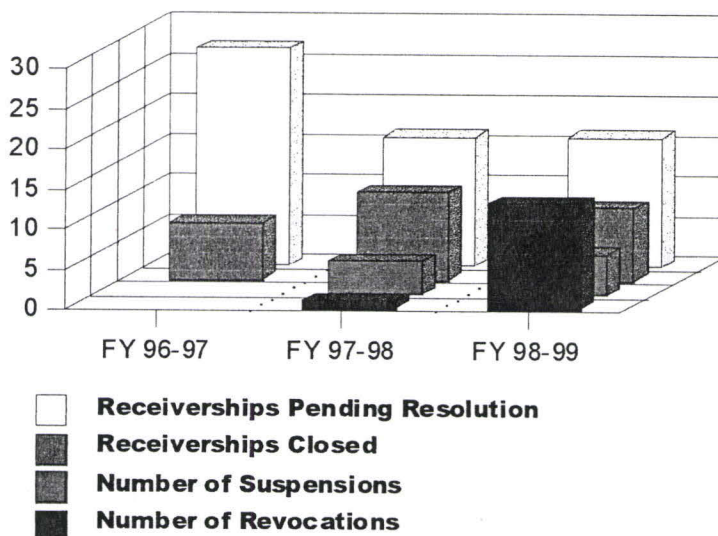
Seventy-eight percent (78%) of 32 receivership files open as of August 1996 are now closed (28% of these were closed in fiscal year 1998-99).



South Carolina differs from most other states in the manner in which it handles receiverships. Estates are disposed of in accordance with Chapter 27 of the South Carolina Insurance Code and the provisions of Chapter 9 which deal with statutory deposits. However, most states require special rather than statutory deposits. According to the NAIC, the requirement of "special deposits" versus "statutory deposits" makes the process a little more streamlined and less cumbersome. A statutory deposit can only be used to pay the claims of South Carolina policyholders. Special deposits are used to pay the claims of all policyholders. Forty-five of the 50 states require special deposits. These states have also adopted the 1994 NAIC Model Act in this area. The Office of General Counsel is still considering the advantages and disadvantages of South Carolina adopting at least a portion of the 1994 Model Act.

## TREND DATA

### RECEIVERSHIP ADMINISTRATION



## REPRESENT THE SOUTH CAROLINA DEPARTMENT OF INSURANCE IN STATE AND FEDERAL PROCEEDINGS

### GOAL

To minimize the Department's exposure to liability through effective legal representation.

### OBJECTIVE

To provide effective representation to the South Carolina Department of Insurance in actions filed by, or against, the Department.

### PERFORMANCE MEASURES

The bulk of the litigation handled by attorneys within the Office of General Counsel is before the Administrative Law Judge Division. During the past fiscal year, attorneys in the Office of General Counsel represented the Department in 15 ALJD hearings. Additionally, the Office of



General Counsel represented the Department in 5 civil court actions; referred 23 matters to the South Carolina Office of the Attorney General for criminal investigation and prosecution; received and resolved 18 Administrative Collection of Final Judgments Against Insurer Petitions; handled 10 Arson-Reporting Immunity Act Reports; and received 5 Administrative Disallowance of Subrogation by Insurer Petitions.

## **IMPLEMENTATION OF LEGISLATION AND OTHER SPECIAL PROJECTS**

### **GOAL**

To assist with the implementation of insurance legislation

### **OBJECTIVE**

To take all actions necessary for the implementation of insurance related legislation by the effective date stated in the statute

### **PERFORMANCE MEASURES**

Implementation of legislation is essential to the Department's mission of administering the South Carolina insurance laws. During the last legislative session, several pieces of legislation affecting insurance were enacted. Although this Office may have some peripheral involvement with the implementation of all legislation, we played a significant role in the implementation of the new automobile legislation.

This Office has assisted the Director of Insurance, who sits as the chair of the Advisory Board of the South Carolina Associated Auto Insurers Plan, with the drafting of the Articles of the Association which governs the operation of the Advisory Board, the review of the various components of the SCAAIP Plan of Operation including, but not limited, to the Rules of Practice, the Accounting and Statistical Manual, and the Manual of Rules and Rates. Additionally, this Office in accordance with the requirements of Section 38-91-340 drafted the requirements for the Requests for Proposals for the solicitations conducted for the Plan Administrator and the servicing carriers for private passenger and commercial automobile insurance and coordinated that solicitation process on behalf of the South Carolina Department of Insurance.

The need to implement these additional pieces of insurance legislation has had a significant impact on the workload of the entire South Carolina Department of Insurance. The implementation of the new automobile legislation has increased the workload of the various Offices of the Department by as much as 25% and consumed a significant amount of Department resources.

There may be additional insurance-related legislation passed during the 1998-99 Legislative Session, but it is not anticipated that the legislation introduced and passed will have the same impact on insurance regulation as that previously passed during the past two fiscal years.

## CONSTITUENT SERVICES

### GOAL

One of the Director's goals since restructuring has been to ensure that the agency is as responsive as possible to the needs and concerns of the state legislature, federal delegation and the Governor's office when complaints or inquiries arise concerning insurance related practices in South Carolina, or any issues dealing with the operation of the Department of Insurance and regulation of insurance.

In order to realize this goal, the Director initiated the Department's Constituent Services Program which is incorporated within the Executive area of the agency.

### OBJECTIVE

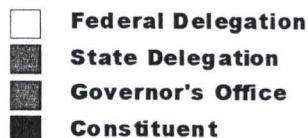
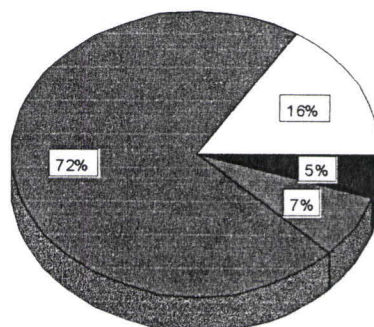
To expedite the handling of any constituent complaints or inquiries concerning insurance, or the operation of the agency, which the state legislature, South Carolina federal delegation, or Governor's office believes requires emergency, immediate, or special attention.

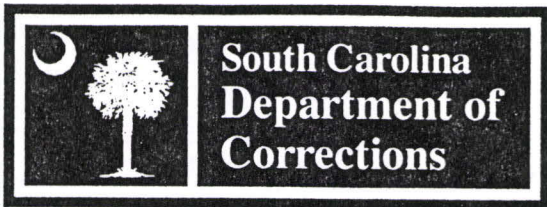
### PERFORMANCE MEASURES

During the fiscal year period 1997-1998 the agency's Constituent Services Program area received 254 written complaints and inquiries from South Carolina legislators, the federal delegation and Governor's office. Additionally, the area has handled approximately 600 legislative and constituent telephone inquiries over the same time period. Complaints or inquiries directed to this area receive immediate attention, with an average turnaround time of approximately 10 to 12 days. The South Carolina legislature, the federal delegation and the Governor's office have a consistent and immediate point of contact with the agency.

### TREND DATA

**AVERAGE YEARLY TELEPHONE CONTACT**





NDH

JIM HODGES, Governor  
WILLIAM D. CATOE, Director

October 14, 1999

Mr. Kevin Kibler  
Office of the State Budget  
1122 Lady Street  
12th Floor  
Columbia, South Carolina 29201

RECEIVED

OCT 15 1999

Budget & Control Board  
OFFICE OF STATE BUDGET

Dear Mr. Kibler:

Enclosed please find the Accountability Report for Fiscal Year 1998-1999. If you have questions or need additional information, kindly advise.

Sincerely,

Glen Franz, Director  
Division of Budget & Finance

GF:jbg

Enclosures



SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

ACCOUNTABILITY REPORT

FY 1998-99

TRANSMITTAL MESSAGE

RECEIVED

OCT 15 1999

Budget & Control Board  
OFFICE OF STATE BUDGET

The Agency Mission, for the most part, has been determined by the South Carolina Constitution and the South Carolina Code of Laws. We have expanded the Agency's Mission through its Program Objectives to reflect what the public requires from the Department of Corrections. In addition to being good stewards of the taxpayers resources; the public wants protection from the offender, offender accountability, effective offender programming, community service/restitution and increased input into the Criminal Justice System.

Performance Measures, although difficult to quantify relative to humane treatment categories, are targeted to illustrate how the Agency is doing, i.e., recidivism rate, inmate involvement in opportunity programs promoting positive change, restitution, self-sustaining systems and the cost of operations as compared to other states.

If you need any additional information or have any questions, please contact Mr. Glen Franz, Director of Budget and Finance at 896-2160.

## SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

### ACCOUNTABILITY REPORT

#### EXECUTIVE SUMMARY

The South Carolina Department of Corrections has custody of all adults (any person 17 or older who committed a crime), sentenced to more than 90 days in prison. As of June, 1999, the Agency had jurisdiction of over 21,995 inmates. At any point in time during FY 1998-99, 21,172 of those inmates were housed in state prisons. The remainder are involved in some form of community based programs. The average inmate age is 33 years old and their average sentence length is 12.7 years. Approximately fifty-seven percent of the inmates have some form of addiction problem. Sixty percent of inmates have not completed high school and twenty-nine percent read below the sixth grade level. Considering these demographics and the public requirements from the Department of Corrections the following are the goals of this Agency and the basis for establishing program priorities:

- To protect the public, employees, and offenders;
- To prepare the offenders for return to the community;
- To promote professionalism and fiscal responsibility among staff;
- To assess and respect the impact upon victims in all administrative decision making.

The Agency management realizes the demands on state revenues and for that reason we have placed a great emphasis on maximizing resources and funding new initiatives from existing resources. Expenditure savings and cost reductions have allowed the Agency to improve security throughout the Agency, construct new bed capacity with internal funding and expand programs that give inmates the opportunity to return to society as law abiding citizens.

The Agency recidivism rate is below the national average. South Carolina's overall cost per inmate and cost of medical/mental health services are among the lowest in the country.

During FY 1998-99 the Department of Corrections has worked with a number of state agencies to centralize a state printing operation within the Agency Industries Program. The Department of Corrections has established a recycling operation which conservatively has saved fifty-six agencies a total of approximately one-half million dollars. Six state agencies contract with the Department of Corrections to provide them with vehicle maintenance services. Attached is a list of cooperative efforts with other State Agencies.



## COOPERATIVE EFFORTS WITH STATE AGENCIES

The South Carolina Department of Corrections enjoys cooperative work relationships with numerous state agencies in an effort to better serve the taxpayer. The following is a listing of some of those cooperative efforts:

### Department of Juvenile Justice (DJJ)

SCDC provides state vehicle maintenance and inmate workers for food services and grounds maintenance for the Department of Juvenile Justice.

The Agriculture Branch provides milk for DJJ's population at a reduced cost to the Agency. The Food Service branch provides meals for DJJ's Union youth facility through the Cross Anchor Correctional Institution's cafeteria.

The Division of Resources and Information Management assisted DJJ in consolidating systems for client tracking, risk assessment and financial and human resource management. Procedural guidelines were jointly established for sharing pertinent information on juveniles transferred to SCDC.

For the fifth consecutive year, the Agency collaborated with the South Carolina Department of Juvenile Justice in sponsorship of Camp Paupi Win, a residential camp for 8-10 year old siblings of DJJ juveniles or children of adult offenders. The Agency's non-security staff served as Cabin Counselors and Program Staff, and also served as the only Nursing Staff on sight. Our Nursing Staff disbursed prescription medication to approximately 30 campers, provided first aid to 50 campers and staff, and completed 100 health screens.

### Department of Probation, Parole and Pardon Services (DPPPS)

SCDC provides security services for DPPPS Community Control and Restitution Centers. SCDC also provides office space to DPPPS examination staff at facilities throughout the state. Ongoing coordination between DPPPS, SCDC and Department of Alcohol and Other Drug Abuse Services has resulted in the provision of substance abuse aftercare services for certain inmates through grant funding.

SCDC and DPPPS are conducting parole hearings by utilizing videoconferencing equipment, thereby eliminating the need to transport inmates to Columbia for Parole Hearings.

### Department of Alcohol and Other Drug Abuse Services (DAODAS)

DAODAS, DPPPS, and SCDC jointly planned continuing care services to meet the needs of inmates returning to the community after completing the residential addictions treatment programs at the Lee and Turbeville Correctional Institutions and State Park Correctional Center. These efforts were facilitated through the aforementioned grant.



### Department of Parks, Recreation and Tourism

SCDC Inmates provide labor to 24 state parks. Work performed includes: grounds maintenance, golf course maintenance, trout pond repair, nature trail construction, painting, picnic table assembly, erosion control, building maintenance, historic site clearing, concrete finishing, and landscaping.

### Department of Natural Resources

SCDC inmates construct predator guards for wood duck nesting boxes and distribute boxes statewide. Inmates also construct dove traps used to monitor dove regulations and construct transport boxes used in the relocation of deer.

### Department of Social Services (DSS)

SCDC jointly manages the Bright Futures Program with DSS. The program provides for DSS to refer qualified Family Independence recipients to SCDC for enrollment in a training program that once successfully completed, guarantees the participant employment as a correctional officer.

### Department of Transportation

SCDC provides inmates for litter control for highways throughout the state.

### Department of Health and Environmental Control (DHEC)

In cooperation with the Department of Health and Environmental Control's Office of Solid Waste Reduction and Recycling, and South Carolina Energy Office, SCDC Grounds Maintenance continued the vermicomposting project at the Broad River Correctional Institution. In this project, worms eat waste from the cafeteria (reducing the amount of solid waste going to landfills) and produce castings (manure) which is used as an organic fertilizer and soil amendment for the institution's vegetable gardens. The grants paid all expenses for these projects and inmates provided all labor.

### Department of Public Safety (DPS)

SCDC provides inmate labor for maintenance and food service at the Criminal Justice Academy. Laundry service for the Academy is provided at Manning Correctional Institution. Through grant funding, SCDC continues to work with DPS and SLED to develop a model warrant-tracking system among SCDC facilities and local jails. The program will also provide jails an offender management system to track the criminal records of inmates.

### Department of Education

The Division of Prison Industries, in cooperation with Department of Education's Vocational Education Program, developed a program for inmates at Manning Correctional Institution to rebuild donated computers for use by school districts that cannot afford to purchase its own computers. Inmates learn valuable computer skills while providing a helping hand to school districts. A win-win situation.

### Clemson University

SCDC crops are receiving necessary pollination to ensure continuation through "Bee Project 2000", a grant awarded to the Entomology Department at Clemson University. The number of hives was increased from 20 to 42. The Department's Food Service Branch is providing institution cafeterias with honey generated from the project. SCDC inmates continued to pick seed peaches for distribution to peach farmers and paint and repair buildings at extension centers. During this year, inmates provided assistance with plant pest suppression.

In addition to the relationships listed herein, SCDC enjoys cooperative efforts with numerous local and federal governmental entities (Internal Revenue Service, Immigration and Naturalization Service, Social Security Administration, others).



## Leadership System

The Leadership System within the Department of Corrections is participatory and inclusionary at all levels agency wide.

Regularly scheduled meetings for management staff ensure that ample opportunity for input and dissemination of information is available. The Director is regularly and actively involved with Department deputies both informally and through weekly meetings.

Monthly meetings for Wardens and for Director's staff provide a forum for effective interaction and communication as do quarterly meetings for agency senior managers. Ad hoc committees composed of representatives from all areas of the agency regularly address special problems, concerns, challenges or tasks specific to the correctional settings.

Staff input into the development of agency policy is considered essential. A system of routing draft policies for appropriate staffing and comment by personnel affected by them confirms the Department's participatory and inclusionary leadership model. Involvement in development of policy by appropriate staff at all levels ensures uniformity, consistency and policy that complies with agency operational philosophy.

Agency direction is clearly defined by the Department's Mission Statement and Goals. Senior managers guide the agency in meeting goals through the development of specific program objectives and subsequent performance/efficiency measures.

Development and maintenance of effective leadership throughout the agency is augmented by the availability of extensive, diverse training for staff in all functional areas. Opportunities for executive leadership training are available not only internally and statewide but nationally through NIC and other correctional institutes. Department of Corrections leadership staff regularly participates in, and in some instances, conducts this training.

The Department's Strategic Plan provides a five-year blueprint for the agency. It is a "working document", developed, modified and implemented by the SCDC workforce. Strategic Plan objectives clearly define what actions must occur for agency goals to be met to ensure compliance with the Mission Statement.



## Customer Focus

The Department of Corrections is committed to the principle of good service to our customers. A number of systems are in place to ensure that the agency is responsive to needs and expectations of the customers.

SCDC "Customers" include:

- Victims, Victim Families
- Inmates, Inmate Families
- Employees
- Governor & Legislature
- General Public
- Schools
- Colleges & Universities
- Local Governments
- Job Applicants
- Law Enforcement
- Researchers
- Other State Agencies
- National & Local Associations

The Office of Executive Affairs has the functional responsibility of serving a large number of the agency's customers. The Office manages the legislative and governmental relations, media relations, ombudsman, family, and victim services. The Department's Internet web page originates from this office and provides continually updated information for public consumption. In conjunction with the web page, citizens may communicate with the Department via an E-mail address. All inquiries and requests for information are responded to expediently. Crime prevention programs offered to schools and other agencies and organizations are also coordinated out of this office.

The following is a summary of services available to SCDC customers.

### Victim/Victim Families

SCDC offers a comprehensive victim-service program and shares the distinction of being one of the first corrections-based victim notification programs in the country. In operation since 1985, the program consistently has been cited as a model by the Office for Victims of Crime of the U.S. Department of Justice.

The program is designed to offer information to the victim and, where appropriate, to provide for the victim's inclusion in the decision-making process. The installation of a toll-free telephone line provides easier access to the agency for victims and their families. All inquiries are responded to by telephone

or in writing.

As a result of the efforts of the Department of Corrections with the General Assembly the South Carolina Code of Laws now allows the victim's family to have three representatives witness an execution. Prior to an execution, special briefings are held with the victim's families. Due to the sensitivity of this process special procedures are in place.

The notification program provides information about changes in the status of a specific inmate, and offers an avenue for the victim or victim's family to raise concerns regarding those changes. Telephone calls are immediate with information about escapes and subsequent apprehension. Special attention is provided to victims during the time the offender is on escape status. When an inmate is released, Victim Services provides written notification.

### Inmates

The Department of Corrections provides inmates with numerous opportunities for self-improvement programs\* and job skill training to help them become productive citizens. Some of the programs include:

Education (High School Diploma, GED, life skills, literacy)  
Vocational Training (job skills)  
Substance Abuse/Addiction (addictions training, AA, NA)  
Pre-Release Preparation (employment, basic skills, social skills)  
Religious Programs (all faith groups)  
Health Care (fundamentals of HIV/AIDS, basic health education)  
Sex Offender (cognitive behavioral relapse prevention)  
Youthful Offender (education, discipline, teamwork, work ethic)  
Victim Awareness (Impact of Crime/Victimization)  
Prison Industries (on-the-job training)  
Marriage Enrichment and Parenting Skills

*\*Some programs are required, based on individual needs assessment.*

### Employees

The Office of Workforce Relations assists managers and employees in resolving conflicts in the workforce ensuring compliance with federal and state employment laws and regulations; manages the Agency's Employee Grievance and Appeals Procedures, Equal Employment Opportunity Affirmative Action and Minority Affairs Programs, Employee Corrective Actions, Sexual Harassment Investigations, and the Agency's Employee Assistance Program.

Through the Employee Innovation System, employees are encouraged to submit suggestions for improving or modifying agency practices to reflect good fiscal management. If an employee's suggestion is implemented, a monetary award (a % of the money saved by the

agency as a result of one suggestion) is presented to the employee.

Each year the American Correctional Association designates a week in May as National Correctional Officer Week. The Department of Corrections in conjunction with other law enforcement agencies sponsors ceremonies/activities to recognize/honor correctional officers.

Recognition of employee performance and contributions is encouraged through various award presentations.

#### Researchers and the General Public

The Division of Resource and Information Management (RIM) is responsible for processing and providing to authorized external and internal audiences information on all Agency resources, i.e. inmates, employees, capital, etc. The legislature, colleges and universities, researchers and other local, state and national associations request and receive information from this agency division.

Within RIM, Offender Information Management provides automated information relating to the management of offenders to all entities in this Agency and to other organizations.



SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

ANNUAL ACCOUNTABILITY REPORT

FY 1998-99

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS:

MISSION STATEMENT:

The Department of Corrections protects the public by operating a safe, secure, humane and efficient state prison system in accordance with statutory and constitutional mandates. The Agency provides offenders under its jurisdiction with opportunities to become productive law-abiding citizens, while ensuring that crime victims are treated with dignity, respect and sensitivity.

AUTHORITY: Article XII, Section 2, South Carolina Constitution provides "The General Assembly shall establish institutions for the confinement of all persons convicted of such crimes as may be designed by law, and provide for the custody, maintenance, health, welfare, education, and rehabilitation of the inmates."

Towards that end, the General Assembly enacted Section 24-1-30, South Carolina Code, 1976, creating the Department of Corrections as an administrative agency of the state government. The functions of the Department shall be to implement and carry out the policy of the state with respect to institutional prison system, as set forth in Code Section 24-1-20, South Carolina Code, 1976, and the performance of such other duties and matters as may be delegated to it pursuant to law.

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

PRIORITY ONE

PROGRAM - HOUSING, CARE, SECURITY, AND SUPERVISION:

Program Goal:

This program is targeted to provide for proper care, treatment, feeding, and clothing within a controlled and structured environment which holds offenders accountable for their actions. It includes the operation the Agency's 32 correctional institutions, inmate medical/mental care and those functions performed under statutory requirements in regard to those inmates sentenced under the State's Youthful Offender Act. There are five primary goals for the Youthful Offender Intensification Program.

1. To increase the safety of our communities by reducing criminal behavior of youthful offenders released into society.
2. To increase the safety and security of our staff and inmates.
3. To improve the youthful offender's ability to lead a productive and law abiding life in the community.
4. To reduce the youthful offender recidivism rate by making the offender accountable and responsible for his behavior.
5. To aid the offender in successful reintegration by developing a partnership with other community agencies who will assist/ supervise upon release.

Program Objectives:

Develop a structured, behavior and performance driven environment that enables inmates to learn pro-social behaviors, a respect for authority and rules and assist the inmate in understanding the role that chemicals, criminal thinking and anti-social behavior have in facilitating criminal behavior. To not exceed an escape rate of zero percent per inmate population. To achieve an assault rate of not more than 1.5 percent per inmate population and not to exceed a 35 percent overall recidivism rate. To accredit all institutions under American Correctional Association Standards. To reduce security staff overtime by thirty percent over FY98-99 levels.

Performance Measures:

FY 1998-99

Actual Expenditures All Funds (Includes Allocation of Employer Contributions)	\$284,905,440
Included in above is \$19,030,403 of other funds associated with the operation of the canteen enterprise, the vehicle maintenance facility, and shock, restitution, community control	

operations funded by Probation, Parole  
and Pardon Services.

**Workload Indicators:**

**FY 1998-99**

Number of Inmate Admissions	11,339
Average Inmate Population	20,962
Number of YOA Admissions (Through July,1999)	1,417
Number of Inmates Receiving Substance Services	6,514
Number of Inmates Admitted to Shock Program	432
Number of Inmates Medically Treated SCDC Staff	11,596
Number of Inmates Treated (HIV +)	402
Number of Inmates Medically Treated Private Vendor	9,576

**Efficiency Measures:**

Annual Average per Inmate Operating Costs (All Funds)	\$15,408
Annual Average per Inmate Operating Costs (Appropriated Funds)	\$14,137
Number of Inmates per Authorized State FTE	2.96
Number of Inmates per Authorized Correctional Officer	4.39
Average Annual per Inmate Medical Treatment	\$2,406
Average Annual Treatment Cost per "AIDS" Patient	\$9,504
Percent of Institutions Accredited	66%
Ratio Escapes per Inmate Population	.001%
Ratio Assaults on Employees per Inmate Population	.017%

**Effectiveness Measures:**

Number Inmate Releases	10,969
Number Inmates Graduated from YOA Program	1,168
Number Inmates Graduated from Shock Program	365
Number Inmates Completing Residential (ATU) Programs - Not Re-incarcerated	481
Annual Recidivism Rate	32.3%

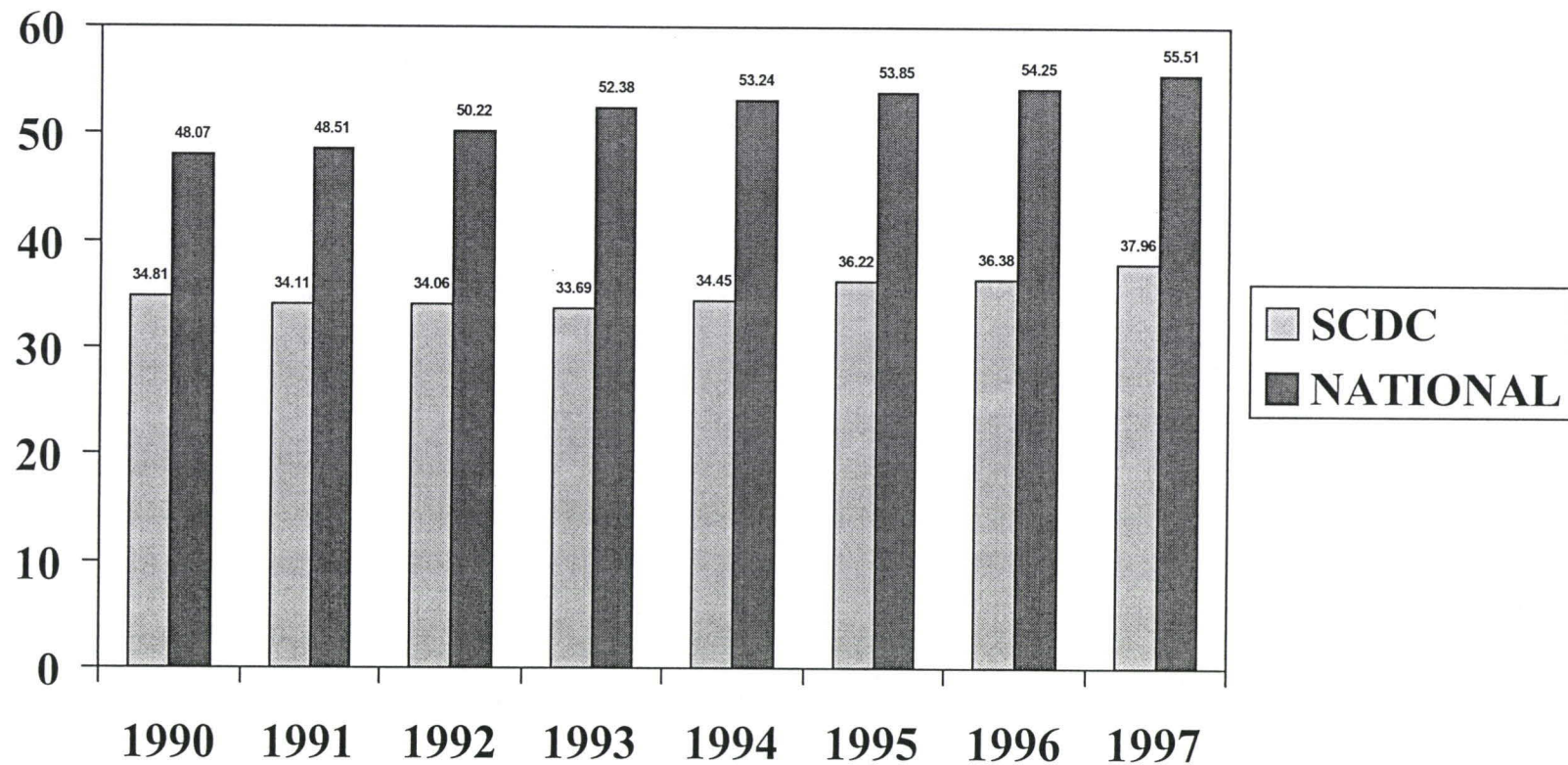
**\*January 1998**

The National Average Recidivism rate is 34.2 percent.  
The National Average Annual Operating Per Inmate Costs - \$20,261.  
The Average Annual Operating Per Inmate Cost, North Carolina - \$23,093.  
The Average Annual Operating Per Inmate Cost, Georgia - \$17,330.

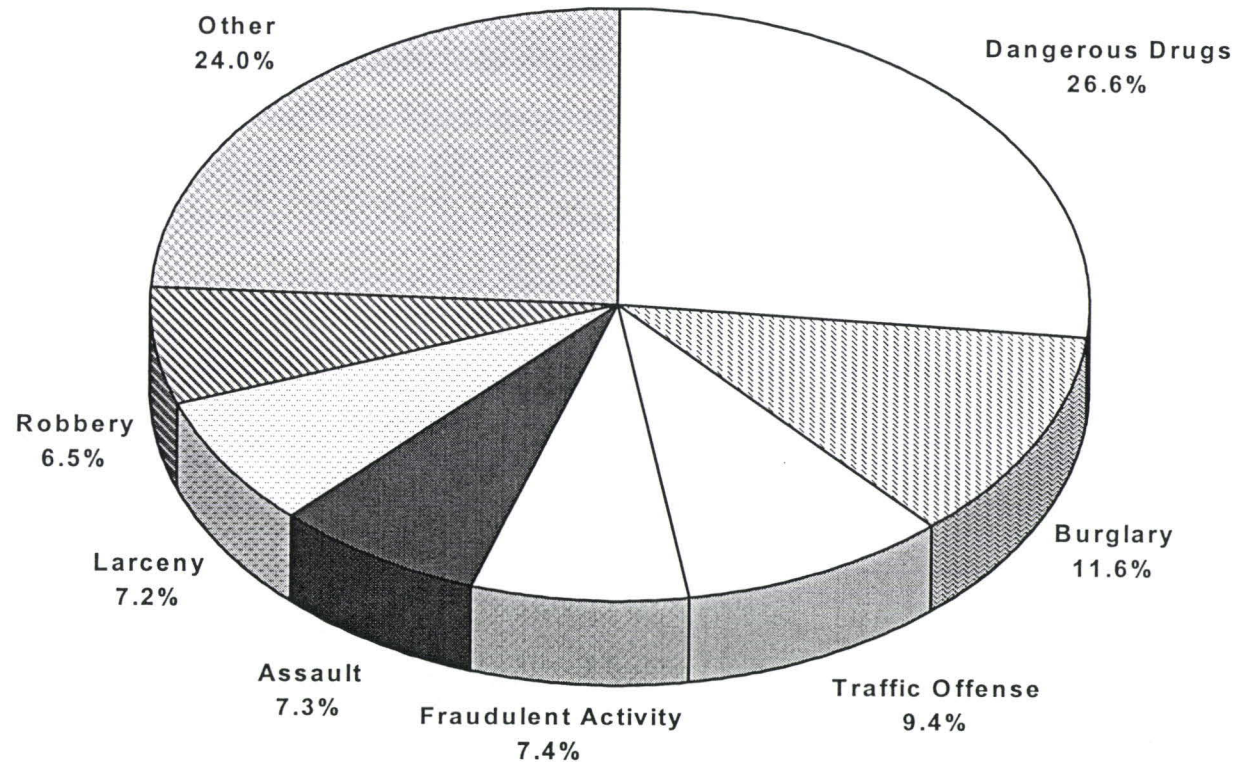
**\*Reference - Corrections Yearbook - Criminal Justice Institute, Inc.**



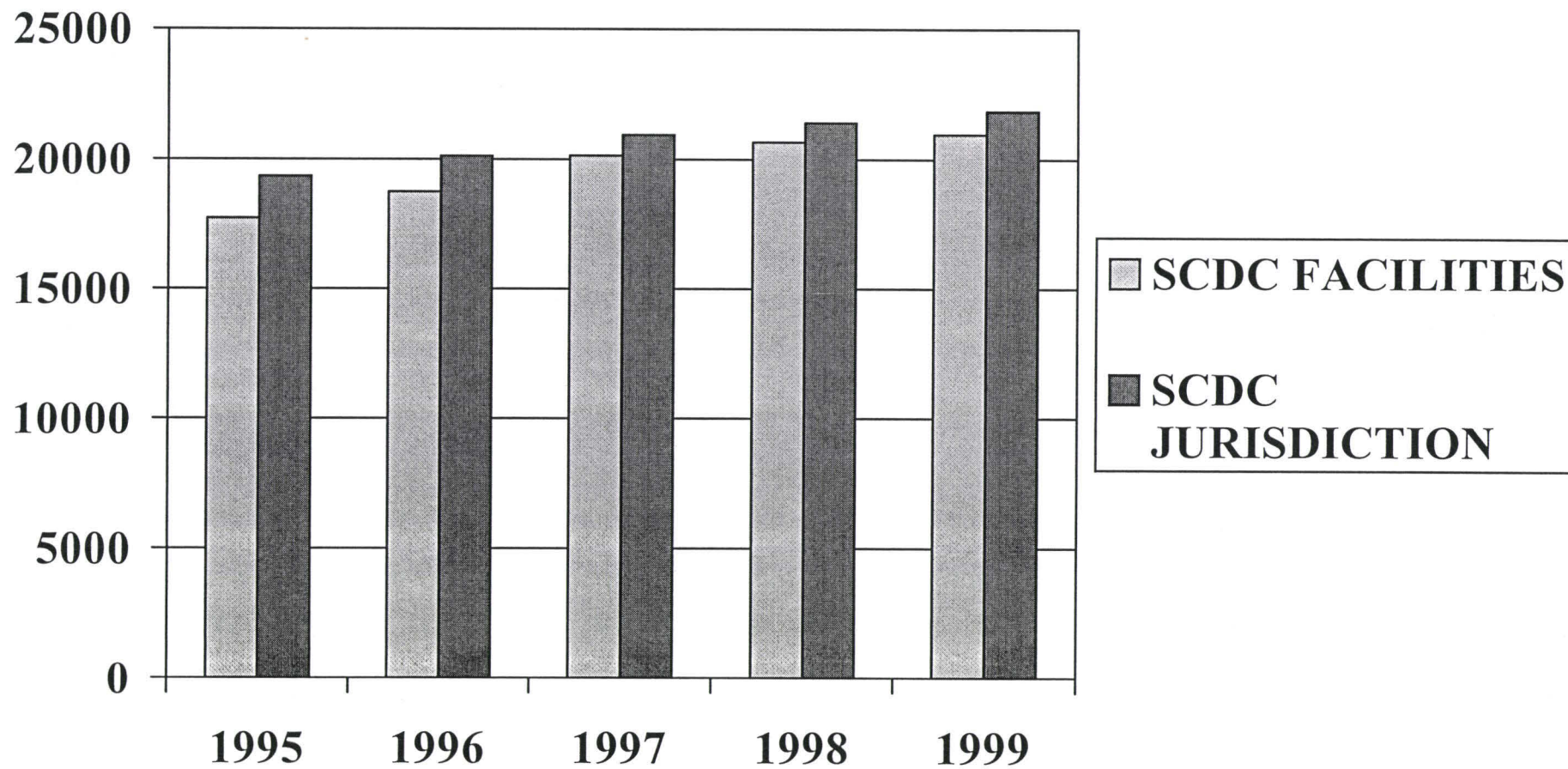
# Average Inmate Cost Per Day



# Most Serious Offense of Inmates Admitted During Fiscal Year 1999



AVERAGE INMATE POPULATION FOR FISCAL YEARS  
1995-1999





## PRIORITY TWO

### PROGRAM - WORK AND VOCATIONAL ACTIVITIES:

#### Program Goal:

The purpose of this program is to have offenders abide by a strong work ethic and to provide productive work and vocational skill opportunities for inmates. The intent is to contribute necessary goods and services or other economic benefits to the state.

Included in this program are the Agency's various industries, agriculture activities, vocational training, and inmate work release.

#### Program Objectives:

To have every eligible inmate working or being trained. To increase annual sales to \$21,000,000 for Prison Industries during FY 1999-2000. To increase by ten percent per year the amount of agricultural produce grown by the Department which can be sold or utilized to feed the inmate population.

To operate a consolidated print shop operation with satellite quick copy centers in the Greater Columbia Metro Area.

#### Performance Measures:

FY 1998-99

Actual Expenditures All Funds (Includes Allocation of Employer Contributions)	\$22,994,342
Included in above is \$20,541,095 of Other Funds associated with the operation of Prison Industries and the farm.	

#### Workload Indicators:

Number of Inmates Employed in Prison Industries	1,850
Number of Inmates in Agriculture Work Program	750
Number of Inmates Assigned to Community Work Centers	1,888
Number of Inmates on Labor Crews	717
Number of Inmates Employed in Work Center Jobs	1,021

#### Efficiency Measures:

Annual Sales Dollars from Industries	\$19,986,784
Value of Dairy Products Sold / Consumed By Agency	\$1,037,257
Agricultural Produce Grown for Department Consumption (lbs)	3,000,000

**Effectiveness Measures:**

State Taxes paid by inmates	\$218,688
Victim assistance paid by inmates	\$861,359
Dependent support paid by inmates	\$577,194
Funds remitted to State through Work Programs	\$1,878,590
Inmates released through Work Centers	1,142
Net savings realized by Agency due to Agriculture Operations	\$2,263,390
Cost savings generated by consolidating State Printing Operations	\$727,955

### PRIORITY THREE

#### PROGRAM - PALMETTO UNIFIED SCHOOL DISTRICT NO. 1:

##### Program Goals:

The District provides programs and services assessment, including academic, vocational, special education, library services and life skills intended to enhance community reintegration, the basic literacy skills, and the economic self-sufficiency of inmates.

#### PRIORITY ONE - VOCATIONAL:

##### Program Objectives:

1. To develop and implement at least four new and innovative vocational programs for younger offenders (ages 17 - 24).
2. To increase by five percent over FY 1998-99 levels, inmates completing vocational trade education programs.

#### PRIORITY TWO - ACADEMIC:

##### Program Objectives:

1. To improve the functional level of inmates enrolled in school by at least one grade level per year until they achieve a GED or high school diploma.
2. To increase by five percent over FY 1998-99 the number of inmates completing high school/GED's during FY 1999-00.

#### PRIORITY THREE - SPECIAL EDUCATION:

##### Program Objectives:

1. To increase by ten percent over FY 1998-99, the number of inmates identified and served by the provision of IDEA (Individuals With Disabilities Act).
2. To increase by ten percent over FY 1998-99, the number of inmates identified and served under the provision of Title I, ESEA.

##### Performance Measures:

FY 1998-99

Actual Expenditures All Funds (Includes a  
\$2,463,682 Allocation of Employer  
Contributions Applicable to All Funds)  
Included in Above \$4,627,143 of Federal and  
Other Funds Allocated by the Department of  
Education utilized for EIA and EFA Program

\$13,037,305



**Workload Indicators:**

Total Academic Enrollment	16,542
Average Academic Enrollment (Unduplicated)	5,688
Number Enrolled in Literacy Program	7,282
Total Vocational Program Enrollment	2,852
Average Vocational Enrollment (Unduplicated)	900
Total Enrollment Special Education	110
Average Enrollment Special Education	70

**Efficiency Measures:**

Cost Per Student Served	\$668
Cost Per Average Enrollment	\$2,053

**Effectiveness Measures:**

GED's Awarded	940
High School Diploma Graduates	51
Vocational Trade Program Completed	1,558

SCDC's overall education participation rate increased in the last three years. While 24% of the total institutional population were enrolled in education programs on June 30, 1997, this participation rate increased to 28% in 1998 and 27% in 1999. The participation rate was consistently higher among black inmates than white inmates: 25% for blacks and 20% for whites on June 30, 1997; 30% for blacks and 22% for whites on June 30, 1998; 29% for blacks and 21% for whites on June 30, 1999.

**June 30, 1997 Institutional Population**

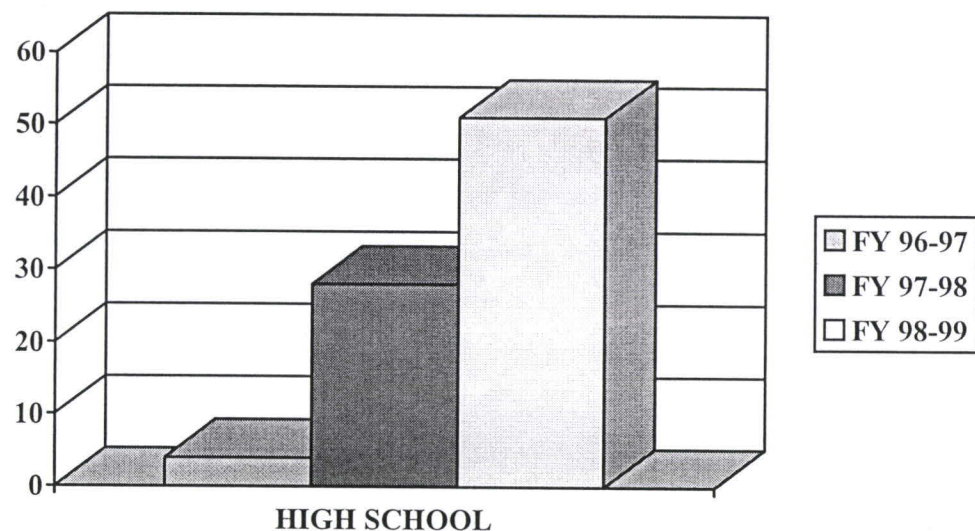
	<b>White</b>	<b>Black</b>	<b>Other</b>	<b>Total</b>
Total Number of Inmates	6,079	14,236	114	20,429
Number Participating in Education Programs	1,192	3,625	31	4,848
<b>Percentage Participating in Education Programs</b>	<b>20%</b>	<b>25%</b>	<b>27%</b>	<b>24%</b>

**June 30, 1998 Institutional Population**

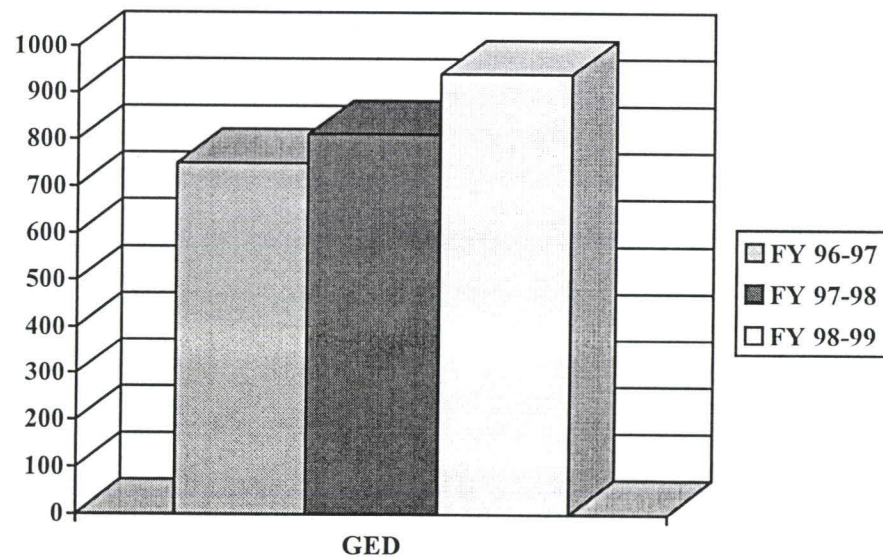
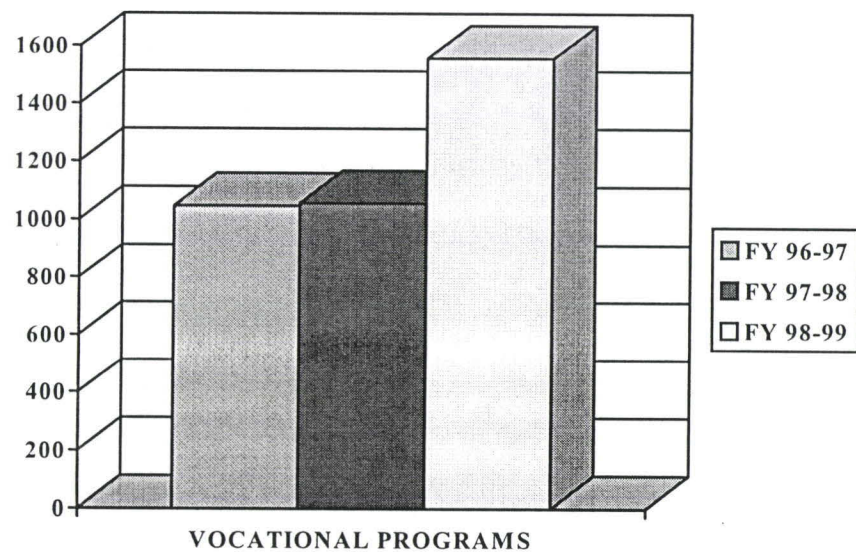
	<b>White</b>	<b>Black</b>	<b>Other</b>	<b>Total</b>
Total Number of Inmates	6,141	14,671	139	20,951
Number Participating in Education Programs	1,355	4,457	53	5,865
<b>Percentage Participating in Education Programs</b>	<b>22%</b>	<b>30%</b>	<b>38%</b>	<b>28%</b>

**June 30, 1999 Institutional Population**

	<b>White</b>	<b>Black</b>	<b>Other</b>	<b>Total</b>
Total Number of Inmates	6,318	14,719	135	21,172
Number Participating in Education Programs	1,347	4,285	56	5,688
<b>Percentage Participating in Education Programs</b>	<b>21%</b>	<b>29%</b>	<b>41%</b>	<b>27%</b>



# EDUCATION COMPLETED





## PRIORITY FOUR

### PROGRAM - INTERNAL ADMINISTRATION AND SUPPORT:

#### Program Goal:

This program includes all administrative/support functions critical to the operation of the Agency, the Director, his immediate staff, and all functions relative to personnel, training, accounting and automated systems/records maintenance and public information.

#### Program Objectives:

To promote professionalism and fiscal responsibility among staff and to continue to provide "state of the art" employee training at a minimal cost. To effectively utilize technology and eliminate duplication of duties to maximize resources.

#### Performance Measures:

FY 1998-99

Actual Expenditures All Funds (Includes Allocation of Employer Contributions)	\$17,454,865
Included in above is \$221,371 of Other Funds associated with the Canteen Enterprise and the operation of the Cashless System.	
Percent of Total Funds for Administration Costs	5.0%

#### Workload Indicators:

Number State Authorized FTE's - Total	7,084.22
Number State Authorized Security Staff	4,857.00

#### Efficiency Measures:

Annual Employee Turnover Rate, State FTE's (All)	24.1%
Annual Security Staff Turnover Rate	29.9%
Security Staff Trained at Agency Training Academy	9,975
Non-Security Staff Trained at Training Academy	5,915
Total Agency Injury Rate	5.4%
(Represents 35% Reduction from previous year)	
Total Lost Time Rate	2.3%
(Represents 8% Reduction from previous year)	
Income Generated - Agency Recycling Center	\$208,893
Estimated Cost Avoidances - Reduction of Waste Disposal Fees	\$500,000
Estimated Cost Avoidances Other State Agencies- Result of Utilizing SCDC Recycling Center	\$800,000

## PRIORITY FIVE

### PROGRAM - INDIVIDUAL GROWTH AND MOTIVATION:

#### Program Goal:

Provide statewide institutional programs and services in the area of religion, recreation, volunteer activities, inmate organizational activities, and inmate correspondence services which enables the inmate population to improve their overall adjustment to the correctional environment. Also, prepare the inmates for community re-entry through family strengthening; spiritual understanding; life skills development; employment training, and improved self discipline.

#### Program Objectives:

To serve an average of 3,900 inmates weekly in religious worship services and average 7,500 inmates weekly in religious educational classes.

To provide pastoral crisis intervention to approximately 500 inmates monthly.

To provide Hospice services to an average of 10 inmates monthly.

To recruit chaplains from various religious denominations at no cost to the State/Agency.

To provide 10,000 volunteer hours on a monthly basis.

To provide institutions with an opportunity to have an Inmate Representative Committee. Through these committees, approximately 35% of their net income is donated to community eleemosynary programs. The remaining 65% is utilized to support institutional improvements that directly benefit the inmate population.

To provide a comprehensive structured recreational program which is academically based, with special emphasis on intramural programs to the entire inmate population.

To provide an adaptive health education, physical fitness, and intramural program for the special needs (physically and mentally challenged) population.

To provide a structured hobbycraft program that serves the entire inmate population.

To improve accountability and efficiency in institution mailroom operations by the acquisition of equipment.

**Performance Measures:****FY 1998-99**

Actual Expenditures All Funds (Including Allocation of Employer Contributions Included in above are \$59,289 of Other Funds (Revenue and Grants) utilized to subsidize various motivational projects within this program	\$3,616,229
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**Workload Indicators:**

Number of Inmates Participating in Weekly Religious Services	3,975
Number of Inmates Participating in Weekly Religious Educational Classes	7,707
Number of Inmates Receiving Pastoral Crisis Intervention Monthly	464
Number of Volunteer Hours Provided Monthly	11,654
Number of Inmates participating in Structured Recreational Programs Weekly	4,697

**Efficiency Measures:**

Dollar Savings Realized by Utilizing Volunteers	\$1,999,840
Dollar Savings Realized by Utilizing Non-State Revenue Chaplains	\$265,000
Contributions by Volunteers (Cash and in-kind)	\$160,204
Charitable contributions were made by Inmate Representative Committees to various Organizations; i.e. United Way, etc.	\$21,715



PRIORITY SIX

PROGRAM - PENAL FACILITY INSPECTION SERVICES;

Program Goal:

This unit inspects every penal facility in the state at least annually to ensure enforcement of minimum standards and advises appropriate corrective action if an institution fails to meet minimum standards.

Program Objectives:

To inspect 100% of all penal facilities operated in this State on an annual basis. To reinspect 100% of those facilities which failed to meet minimum standards during the initial inspection.

Performance Measures:

FY 1998-99

Actual Expenditures All Funds (Includes Allocation of Employer Contributions)	\$312,446
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Workload Indicators:

Prisons/Jails Inspected	
(In Compliance)	82
(Not in Compliance)	256

Efficiency Measures:

Average Costs per Facility Inspected	\$925
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Effectiveness Measures:

Percent of:	
Annual Inspections Completed	100%
Reinspections Completed	100%

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